浙江滬杭甬高速公路股份有限公司

ZHEJIANG EXPRESSWAY CO., LTD.

Stock code: 0576

Leveraging Opportunities, Pursuing Growth

2008 Annual Report

Leveraging Opportunities, Pursuing Growth

In 2009, both global and China's economies will still be affected by the financial crisis, thereby bringing trials to the overall operations of the domestic toll road industry. Meanwhile, the successive completion and opening of neighbouring toll roads will continue to cause traffic diversions from the Company's toll road operations. Year 2009 will indeed be a challenging year for Zhejiang Expressway.

Faced with adversities, staff of all levels at Zhejiang Expressway will be united to discharge their duties and strive to overcome different challenges. Based on our solid foundation, we will try every possible means to leverage opportunities and pursue growth, bringing the Company to a new platform.

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Definition of Terms

ADR(s)	American Depositary Receipt(s)
ADS(s)	American Depositary Share(s)
Advertising Co	Zhejiang Expressway Advertising Co., Ltd.（浙江高速廣告有限責任公司）, a 70% owned subsidiary of Development Co
Audit Committee	the audit committee of the Company
Board	the board of directors of the Company
Company or Zhejiang Expressway	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Investment Group	Zhejiang Communications Investment Group Co., Ltd.（浙江省交通投資集團有限公司）, a wholly State-owned enterprise established on December 29, 2001
Development Co	Zhejiang Expressway Investment Development Co., Ltd.（浙江高速投資發展有限公司）, a 51% owned subsidiary of the Company
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
Huajian	Huajian Transportation Economic Development Center（華建交通經濟開發中心）, a State-owned enterprise
Jiaxing Co	Zhejiang Jiaxing Expressway Co., Ltd.（浙江嘉興高速公路有限責任公司）, a 99.9995% owned subsidiary of the Company
Jinhua Co	Zhejiang Jinhua Yongjin Expressway Co., Ltd.（浙江金華甬金高速公路有限公司）, a 23.45% owned associate of the Company
JoinHands Technology	JoinHands Technology Co., Ltd.（中恒世紀科技實業股份有限公司）, a 27.582% owned associate of the Company

Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
Period	the period from January 1, 2008 to December 31, 2008
Petroleum Co	Zhejiang Expressway Petroleum Development Co., Ltd. (浙江高速石油發展有限公司), a 50% owned associate of the Company
PRC	the People's Republic of China
Rmb	Renminbi, the lawful currency of the PRC
Services Co	Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. (浙江高速公路清障施救服務有限公司), a 85% owned subsidiary of Development Co
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a 73.625% owned subsidiary of the Company
Shareholders	the shareholders of the Company
Shida Co	Hangzhou Shida Highway Co., Ltd. (杭州石大公路有限公司), a 50% jointly-controlled entity of the Company
Supervisory Committee	the supervisory committee of the Company
Yuhang Co	Zhejiang Yuhang Expressway Co., Ltd. (浙江余杭高速公路有限責任公司), a 51% owned subsidiary of the Company
Zheshang Securities	Zheshang Securities Co., Ltd. (浙商證券有限責任公司), a 70.46% owned subsidiary of the Shangsan Co

Company Profile

Zhejiang Expressway is an infrastructure company principally engaged in investing in, developing and operating high grade roads. The Company and its subsidiaries also carry out certain ancillary businesses such as automobile servicing, operation of gas stations and billboard advertising along expressways, as well as securities business.

Major assets under management include the 248km Shanghai-Hangzhou-Ningbo Expressway, the 142 km Shangsan Expressway, ancillary facilities along the two expressways, and Zheshang Securities. Both expressways are situated within Zhejiang Province in the PRC. As at December 31, 2008, total assets of the Company and its subsidiaries amounted to Rmb25,287.52 million.

The Company was incorporated on March 1, 1997 as the main vehicle of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province.

Incorporated on December 29, 2001, Communications Investment Group, the controlling shareholder of the Company, is a provincial-level communications company which is wholly-owned by the State and established by the Zhejiang Provincial Government. It mainly operates a diversity of businesses, such as investment, operations, maintenance, toll collection and ancillary services of expressways; construction and building of transportation project, ocean and coastal transport; as well as real estates, etc. As at December 31, 2008, the consolidated assets of Communications Investment Group totalled Rmb121.355 billion.

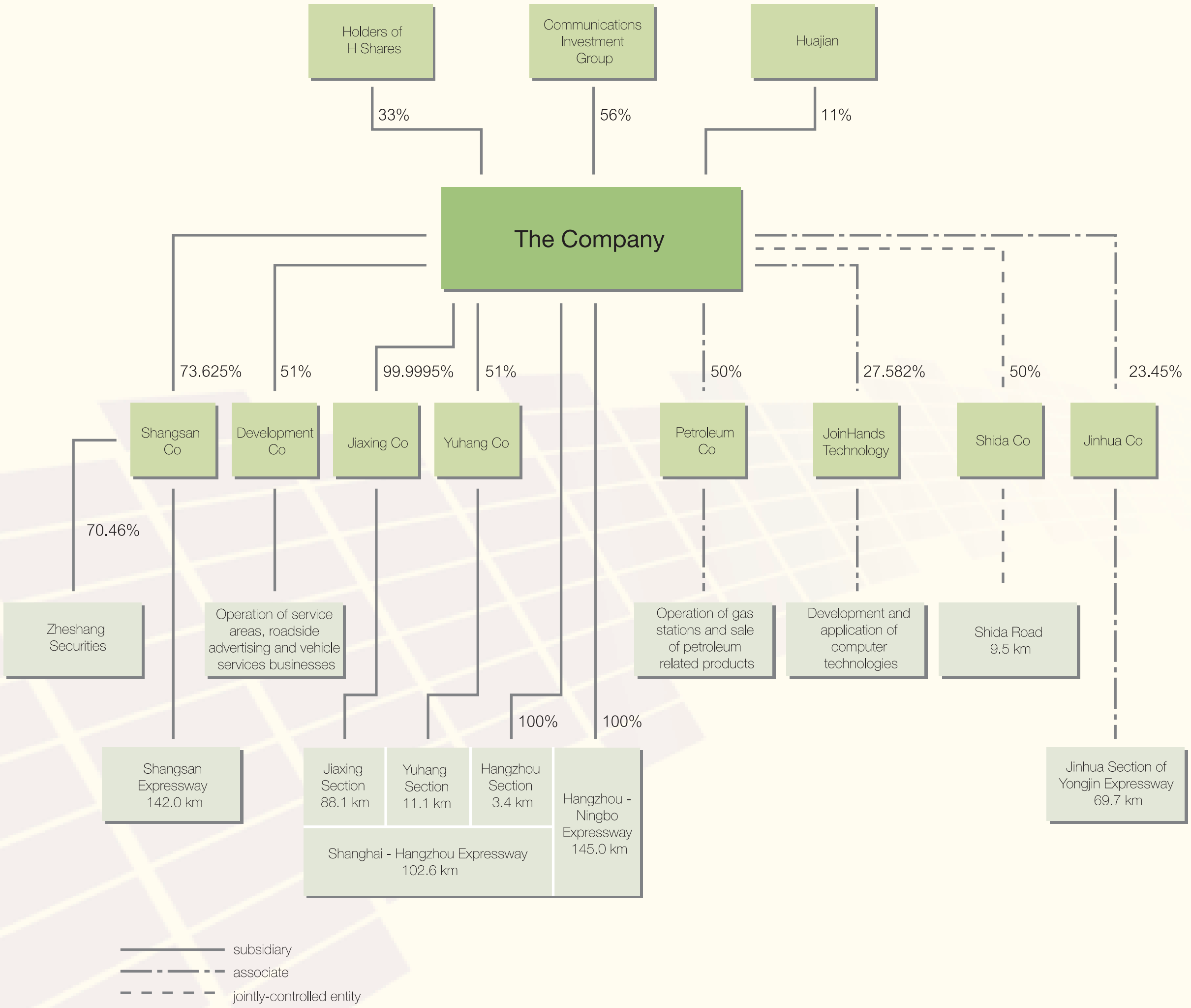
The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on May 5, 2000.

On February 14, 2002, a Level I American Depositary Receipt program sponsored by the Company in respect of its H Shares, with the Bank of New York as depositary, was established in the United States and became effective.

On August 12, 2005, a 10-year corporate bond of the Company, issued on January 24, 2003, was listed on the Shanghai Stock Exchange.

In addition to managing well the existing expressway operations under the Group, the Company will continue to unearth potential and improve efficiency, while striving to explore the value-added of toll road-related business operations. Meanwhile, the Company will continue to improve the core competence of the securities business, strengthen risk control capabilities and grasp every opportunity in new project investment and acquisition, with the aim of becoming a leading expressway operator in China.

Set out below is the corporate and business structure of the Group:



Review of Major Corporate Events

1. During the period from January to November of 2008, additional service areas of the Company, including the Pinghu Service Area on the Hangpu Expressway, the Wangqing Tuo Service Area and the Sicun Dian Service Area on the Beijing-Shanghai Expressway, the Cicheng Service Area on the Shenhai Expressway, the Changqing Service Area on the Shandong Jihe Expressway and the North-shore Service Area on the Hangzhou Bay Bridge, consecutively started official operation.

2. On March 10, 2008, the Company announced its 2007 annual results in Hong Kong, and thereafter conducted its annual results presentations in Hong Kong, Singapore and Europe.

3. On May 15, 2008, the Company convened its 2007 annual general meeting. The meeting approved the distribution of a final dividend of Rmb 0.24 per share, the re-appointment of Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong as the international auditors of the Company, and the re-appointment of Zhejiang Pan China Certified Public Accountants as the PRC auditors of the Company.

4. On May 15, 2008, the Company announced its 2008 first quarterly results.

5. On August 4, 2008, the Company announced its 2008 interim results in Hong Kong, and thereafter conducted its interim results presentations in Hong Kong.

6. On September 22, 2008, the Company convened a 2008 extraordinary general meeting. The meeting approved the distribution of an interim dividend of Rmb 0.07 per share.

7. On November 11, 2008, the Company announced its 2008 third quarterly results.

8. On November 27, 2008, the Company announced its withdrawal from investment and participation in the development and operation of the Jiaxing-Shaoxing Expressway.

9. On February 27, 2009, the Company convened an extraordinary general meeting to elect and appoint members of the 5th Board of Directors and the Supervisory committee of the Company, and approve the remuneration of all directors and supervisors. The term of the 5th Board of Directors and the Supervisory committee is for a period of three years from March 1, 2009 to February 29, 2012.

10. On February 27, 2009, the Company convened the first meeting of the 5th Board of Directors to elect Mr. Chen Jisong as Chairman of the Company and appoint him as Chairman of the Strategy Committee, Mr. Tung Chee Chen as Chairman of the audit committee and Ms. Zhang Luyun as Chairwoman of the Nomination and Remuneration Committee. At the meeting, the Company also appointed other senior management members including the appointment of Mr. Zhan Xiaozhang as General Manager of the Company, with a term of office of three years from March 1, 2009 to February 29, 2012.

Particulars of Major Road Projects

Expressway	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	99.9995%	88.1	8	7	2	1998	20
– Yuhang Section	51%	11.1	6	1	0	1995-1998	20
– Hangzhou Section	100%	3.4	4	2	0	1995	20
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	16.0	4	1	0	1992	19
– Hongken to Duantang section	100%	124.0	8	9	2	1995	19
– Duantang to Dazhujia section	100%	5.0	4	1	0	1996	19
Shangsan Expressway	73.625%	142.0	4	11	3	2000	22

CURRENT TOLL RATES ON THE SHANGHAI-HANGZHOU-NINGBO EXPRESSWAY

Vehicle Class	Classification Standard	Entrance Fee Rmb	Mileage Fee Rmb/km
1	Passenger vehicle with up to 20 seats	5	0.45
	Truck with tonnage of 2 tons or below		
2	Passenger vehicle with seats above 20 and up to 40	10	0.80
	Truck with tonnage of above 2 tons and up to 5 tons		
3	Passenger vehicle with seats above 40	15	1.20
	Truck with tonnage of above 5 tons and up to 10 tons		
4	Truck with tonnage above 10 tons and up to 15 tons	15	1.40
5	Truck with tonnage above 15 tons	20	1.60

CURRENT TOLL RATES ON THE SHANGSAN EXPRESSWAY

Vehicle Class	Classification Standard	Entrance Fee Rmb	Mileage Fee Rmb/km
1	Passenger vehicle with up to 20 seats	5	0.40
	Truck with tonnage of 2 tons or below		
2	Passenger vehicle with seats above 20 and up to 40	10	0.80
	Truck with tonnage of above 2 tons and up to 5 tons		
3	Passenger vehicle with seats above 40	15	1.20
	Truck with tonnage of above 5 tons and up to 10 tons		
4	Truck with tonnage above 10 tons and up to 15 tons	15	1.40
5	Truck with tonnage above 15 tons	20	1.60

Financial and Operating Highlights

RESULTS

	Year ended December 31,				
	2004 Rmb'000	2005 Rmb'000	2006 Rmb'000	2007 Rmb'000	**2008 Rmb'000**
Revenue	3,131,993	3,456,385	4,763,780	7,030,380	**6,323,470**
Profit Before Tax	1,899,206	2,264,662	2,742,927	4,332,533	**2,934,079**
Income Tax Expense	(542,749)	(692,366)	(884,036)	(1,191,638)	**(668,928)**
Profit for the year	1,356,457	1,572,296	1,858,891	3,140,895	**2,265,151**
Attributable to:					
Equity holders of the Company	1,225,699	1,431,192	1,652,871	2,415,965	**1,892,787**
Minority interests	130,758	141,104	206,020	724,930	**372,364**
Earning Per Share (EPS)	28.22 cents	32.95 cents	38.06 cents	55.63 cents	**43.58 cents**

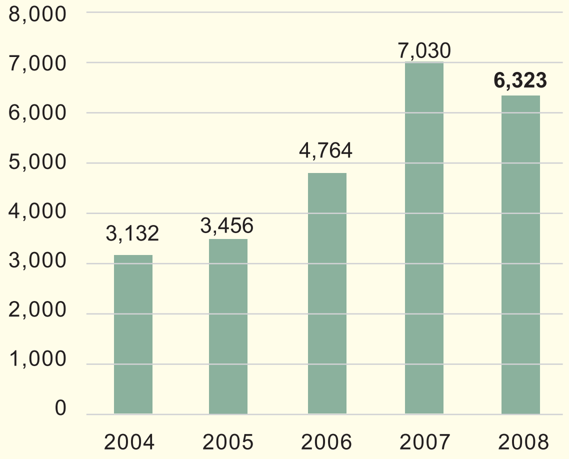
RETURN ON EQUITY (ROE)

	2004	2005	2006	2007	**2008**
ROE	11.43%	12.78%	13.90%	18.27%	**13.83%**

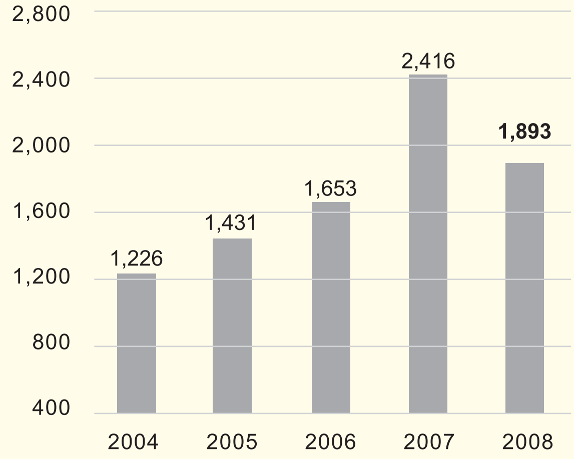
MONTHLY AVERAGE DAILY FULL TRIP TRAFFIC VOLUME

	Shanghai-Hangzhou-Ningbo Expressway				Shangsan Expressway			
	2005	2006	2007	**2008**	2005	2006	2007	**2008**
January	33,727	35,342	38,233	**42,024**	19,812	20,079	19,057	**21,505**
February	30,931	33,785	40,239	**36,261**	20,851	20,174	23,618	**22,453**
March	36,093	38,810	42,536	**42,791**	20,301	19,897	22,132	**22,301**
April	38,102	40,789	45,657	**44,917**	21,162	20,554	22,402	**22,995**
May	35,751	39,255	44,462	**38,583**	20,063	20,215	22,287	**20,219**
June	35,368	38,307	42,938	**36,595**	19,201	18,619	20,699	**19,028**
July	34,088	37,067	41,989	**36,143**	18,918	18,691	20,957	**18,779**
August	34,121	38,716	43,112	**35,856**	19,218	19,379	21,485	**18,919**
September	35,968	40,870	44,646	**38,146**	20,048	20,542	22,312	**19,853**
October	36,117	40,342	45,037	**35,864**	19,842	20,717	22,738	**18,732**
November	35,440	39,486	44,238	**32,792**	19,477	19,428	21,503	**17,043**
December	35,738	39,375	42,840	**32,251**	19,109	19,136	20,833	**16,493**
Average	35,143	38,536	43,001	**37,688**	19,824	19,783	21,652	**19,895**

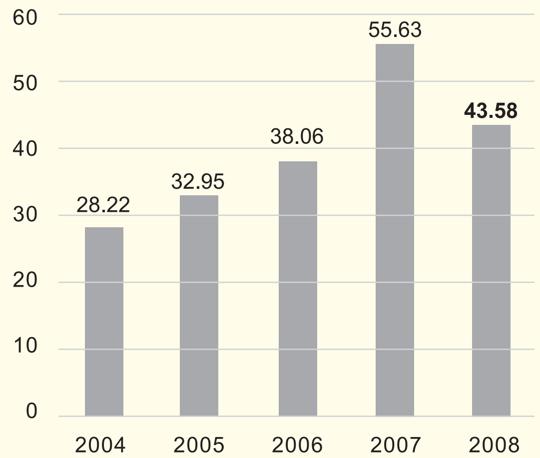
Revenue (Rmb Million)



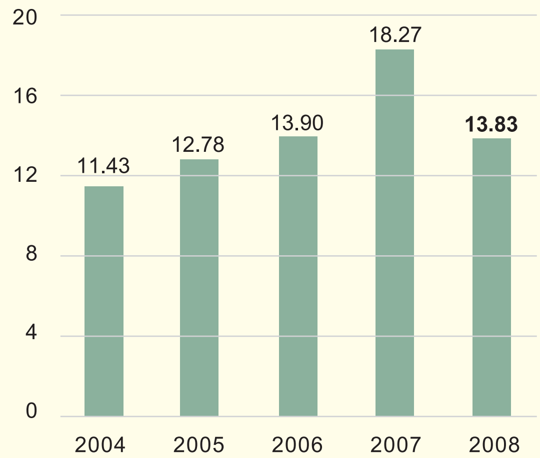
Net profit (Rmb Million)



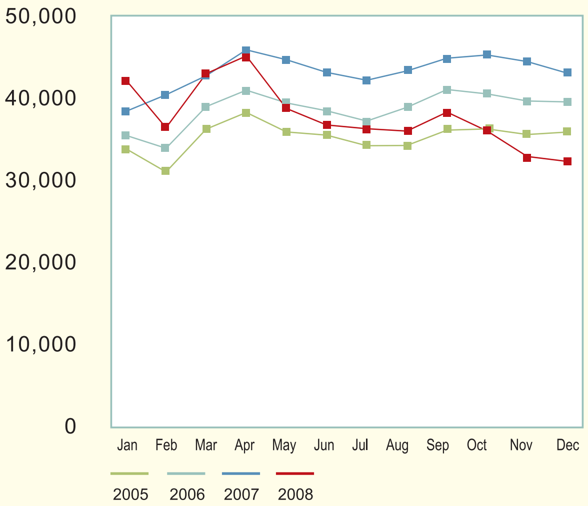
EPS (Rmb Cents)



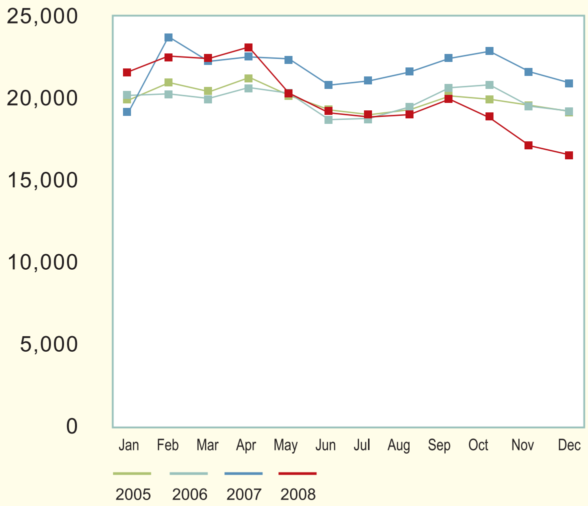
ROE (%)



Monthly average daily full-trip traffic volume on Shanghai-Hangzhou-Ningbo Expressway



Monthly average daily full-trip traffic volume on Shangsan Expressway



Chairman's Statement

CHEN Jisong
Chairman

By leveraging new opportunities and pursuing new growth, we will build Zhejiang Expressway into a leading expressway operator in China.

Dear Shareholders,

Advancing to a New Platform with Renewed Forces

It is my honour to present you this annual report as chairman of the Company. The new session of the Board of Directors of the Company was elected at the Extraordinary General Meeting and the Board meeting held on February 27, 2009. As the incoming chairman, I would like to extend my sincerest gratitude to Mr Geng Xiaoping, the former chairman, who had led the management team during the last decade and had made contributions to the Company.

Year 2008 was the most challenging year in Zhejiang Expressway's corporate history. For the first fiscal year since its listing, Zhejiang Expressway recorded an earnings decline. For the year ended 31 December 2008, the Company recorded a total revenue of Rmb6,323.47 million, a decrease of 10.1% year-on-year, while net profit dropped 21.7% to Rmb1,892.79 million. Earnings per share was Rmb43.58 cents (2007: Rmb55.63 cents).

Indeed, I assumed the chairmanship with both worries and high hopes. Worries because the Company is faced with some very challenging prospects for its business, primarily due to the economic slowdown and the impact of traffic diversions to competing expressways nearby. High hopes because given Zhejiang Expressway more than ten-years of solid development foundation – especially its two high-quality expressways, the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway – together with an experienced and fine management team, I believe that the Company will advance to a new platform.

For a company that has gone through over ten years' double-digit growth, we at Zhejiang Expressway do not feel good about our first-ever earnings decline. While we are well aware that Zhejiang Expressway performed quite well with a reasonable amount of profits recorded for a year where many companies got "burnt" heavily, we cannot afford to be complacent. Instead, we would treat the declined results in 2008 as a wake-up call to all of us at Zhejiang Expressway: growth is not guaranteed.

Chairman's Statement

In view of a much more challenging environment than before, we need to be better equipped than ever. With continued traffic diversions from competing nearby highways, including the Hangpu Expressway and the Hangzhou Bay Bridge, and with economic growth slowed for the first time since many years, the Company can no longer expect that its revenue will be fuelled by organic traffic growth on its expressways. Instead, we must rely on our own efforts to re-build growth: by stimulating traffic growth, further trimming our operating costs, and seeking new ways to enhance earnings.

We will continue our efforts in enhancing comfort and convenience for our expressway users, with an aim to retain existing customers as well as to attract new ones. We will adopt active marketing and publicity measures to increase the community's awareness about our expressways, their access points and the travelling benefits that they offer. Meanwhile, we will continue to be committed to our maintenance endeavours which are critical for both lowering maintenance costs and maintaining travel comfort for our customers. Our efforts in researching and developing new maintenance materials and technologies will be strengthened, with an aim to extend the longevity of our road assets and to achieve better cost efficiency in our day-to-day operations.

Whilst maintaining competitiveness of our core toll road business, we also need to be aggressive in seeking new income sources for the Company. Our efforts will include actively searching for the acquisition of quality expressway assets, building Zhejiang Expressway into an excellent expressway operator in China. The development of the service area management business has fared very well in the past 2-3 years, with several new service area management contracts being won during 2008. The fact that we won several contracts granted by expressway owners outside Zhejiang Province certainly demonstrates our competitiveness in this business. Indeed, as Zhejiang Expressway is building a brand name in the service area management business, we will continue to capitalize on such competitive advantage to seek further growth. Meanwhile, we will continue to strengthen our own service area operations so as to attract more travellers' patronage and expand revenue.

As both the central government and Zhejiang's provincial government are rolling out various measures to stimulate the economy, and in particular the central government's long-term commitment to increase the country's transportation infrastructure investments, as a leading expressway operator Zhejiang Expressway is faced with good development opportunities. Operating two of Zhejiang Province's key transportation trunks, one of which is the province's only eight-lane expressway to date, we at Zhejiang Expressway are well positioned to re-capture growth when better times return. All we need is to further strengthen ourselves in order to regain growth, a growth that in view of the present tough environment is achievable only with hard-earned efforts.

With our renewed forces, I am confident that we will sail through the storms to a new platform with even greater competitiveness.

Chen Jisong
Chairman
March 17, 2009

The principal business

Faced with escalating competition among toll roads, the Company is determined to enhance the competitive edge of its toll road operation. The Company has proactively researched and introduced a whole package of electronic toll collection equipment and services so as to upgrade the convenience and speed of its toll collection system, thereby putting the Company's innovative standards at the forefront of its industry peers. Meanwhile, the maintenance department of the Company has continuously enhanced the applications of new technologies, materials and equipment so as to provide a comfortable, safe and highly efficient traffic environment for drivers. In the future, the Company will continue to exploit its management potential and to enhance its sales and marketing and customer service, seeking the best possible development for the principal business of Zhejiang Expressway.

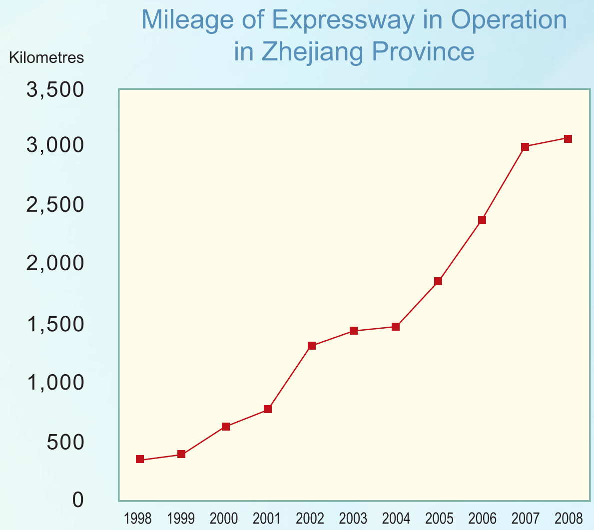
Management Discussion and Analysis

ZHAN Xiaozhang
Director and General Manager

BUSINESS REVIEW

In 2008, the global financial crisis, which was triggered by the US subprime credit crisis, continued to spread, resulting in the increasing difficulties for China's economic operations. The growth rate of China's GDP exhibited a significant slowdown compared to the past, with a decrease of 4 percentage points year-on-year. Faced with tough challenges presented by the unprecedented global financial crisis as well as the severe impact caused by natural disasters such as the snowstorms and the mega earthquake in China, Zhejiang Province's economic development could not escape unaffected. During the Period, Zhejiang Province's GDP grew by 10.1%, with the growth rate decreased by 4.6 percentage points compared to 2007.

Affected by the external factors including the macro-economy, natural disasters and government policies, together with traffic diversions caused by expressways' network construction, both traffic volumes and toll incomes generated on the Group's two expressways witnessed declines. During the Period, the Group realized a total income of Rmb6,510.21 million, representing a decrease of 10.7% year-on-year; of which Rmb3,569.75 million was attributable to the two major expressways operated by the Group, representing 54.8% of the total income; Rmb1,766.00 million was attributable to the Group's toll road-related businesses such as service area operations, gas stations, advertising business and so forth, representing 27.1% of the total income; and Rmb1,174.47 million was attributable to the securities business, representing 18.1% of the total income.



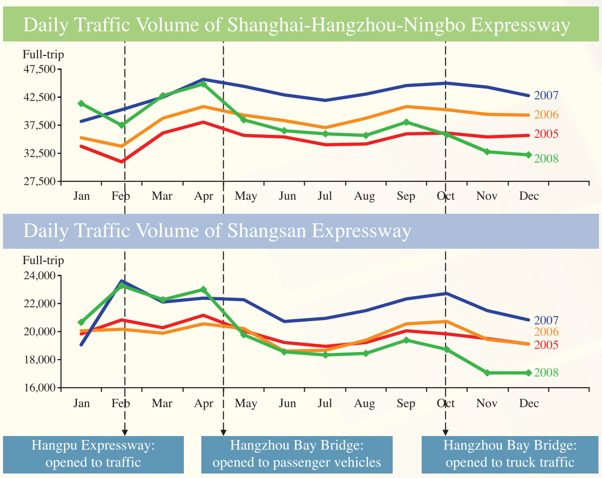
A breakdown of the Group's income for the Period is set out below:

	2008 Rmb'000	2007 Rmb'000	% Change
Toll income			
Shanghai-Hangzhou-Ningbo Expressway	**2,758,286**	3,145,276	-12.3%
Shangsan Expressway	**811,460**	879,087	-7.7%
Service areas income	**1,679,593**	1,271,125	32.1%
Advertising income	**82,622**	70,870	16.6%
Securities business income	**1,174,465**	1,920,525	-38.9%
Other income	**3,787**	1,217	211.2%
Subtotal	**6,510,213**	7,288,100	-10.7%
Less: Revenue taxes	**(186,743)**	(257,720)	-27.5%
Revenue	**6,323,470**	7,030,380	-10.1%

TOLL ROAD OPERATIONS

China's macro-economic growth witnessed a slowdown, thereby causing the organic growth rates of traffic volumes of the Group's two expressways to continue to fall; of which the organic growth rate of traffic volume of the Shanghai-Hangzhou-Ningbo Expressway reported a significant decrease while the Shangsan Expressway hardly recorded any organic growth in traffic volume.

During the Period, traffic volumes and toll incomes generated on the Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway witnessed substantial decreases due to the direct impact of traffic diversions caused by the expressway network. The Hangpu Expressway, which opened to traffic in early 2008, has directly diverted part of the traffic from the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway since February, thereby having material effect on toll income. The Hangzhou Bay Bridge, opened to passenger vehicles in early May 2008 and subsequently opened to truck traffic in mid October, has diverted traffic in stages from the entire Shanghai-Hangzhou-Ningbo Expressway and the Shangsan Expressway.



In view of the snowstorms in China in early 2008, Zhejiang Provincial Government implemented a toll-free policy for carrier vehicles of fresh agricultural goods and products in order to ensure the supply of those goods and products. Accordingly, toll income of the Company decreased.

Affected by the aforementioned unfavourable factors, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou-Ningbo Expressway was 37,688 during the Period, representing a decrease of 12.4% year-on-year. In particular, the average daily traffic volume in full-trip equivalents along the Shanghai-Hangzhou section of the Shanghai-Hangzhou-Ningbo Expressway was 37,984, representing a decrease of 20.8% year-on-year, and that along the Hangzhou-Ningbo section was 37,477, representing a decrease of 5.0% year-on-year. The average daily traffic volume in full-trip equivalents along the Shangsan Expressway was 19,895 during the Period, representing a decrease of 8.1% year-on-year.

Total toll income from the 248km Shanghai-Hangzhou-Ningbo Expressway and the 142km Shangsan Expressway amounted to Rmb3,569.75 million during the Period, representing a decrease of 11.3% year-on-year. In respect of such income, toll income from the Shanghai-Hangzhou-Ningbo Expressway amounted to Rmb2,758.29 million, representing a decrease of 12.3% year-on-year, while toll income from the Shangsan Expressway amounted to Rmb811.46 million, representing a decrease of 7.7% year-on-year.

TOLL ROAD-RELATED BUSINESS OPERATIONS

The Company also operates certain toll road-related businesses through its subsidiaries and associated companies along its expressways, including gas stations, restaurants and shops in service areas, as well as advertising and vehicle service businesses along its expressways.

During the Period, falling traffic volumes of the Group's two expressways and weakening consumption sentiments have brought slight income declines at the service areas. However, due to the rising retail prices of petroleum products during the Period, income generated from gas station operations at the service areas realized a significant growth. In addition, income from the advertising business also witnessed a growth as a result of further development of the advertising business.

Leveraging on its impressive operating results and extensive management experience in the service area business, over the past two years, the Group has successfully bid for the operating rights of a number of service areas with terms ranging between 5 to 10 years, including the Pinghu Service Area on the Hangpu Expressway, the Wangqing Tuo Service Area and the Sicun Dian Service Area on the Beijing-Shanghai Expressway, the Cicheng Service Area on the Shenhai Expressway, the North-shore Service Area on the Hangzhou Bay Bridge and the Changqing Service Area on the Shandong Jihe Expressway. These service areas were opened consecutively during the Period.

During the Period, income from the aforementioned toll road-related business operations amounted to Rmb1,781.10 million, representing a year-on-year increase of 30.7%.

SECURITIES BUSINESS

The domestic stock market remained sluggish with various stock indices dropping significantly and trading volume continued to shrink. As a result, the Group's income from the securities business reported a significant decline. During the Period, the securities business realized an operating income of Rmb1,174.47 million, representing a decrease of 38.9% year-on-year. Among such income, the brokerage commission income was Rmb1,006.74 million, representing a year-on-year decrease of 43.8%; bank interest income amounted to Rmb167.73 million, representing a year-on-year increase of 30.7%. Apart from that, the proprietary securities trading business recorded a loss of Rmb316.21 million as accounted for in the income statement (profit for 2007: Rmb475.83 million).

LONG-TERM INVESTMENTS

During the Period, traffic volume on the 9.45km Shida Road (operated by Hangzhou Shida Highway Co., Ltd., a 50% owned jointly-controlled entity of the Company) increased by 1.6% year-on-year, while toll income amounted to Rmb91.66 million, up 3.6% year-on-year. Net profit realized was Rmb47.49 million, increased by 16.4% year-on-year.

Petroleum Co. (a 50% owned associate of the Company) benefited from the surge in oil prices during the Period, realizing an income of Rmb3,077.86 million, representing an increase of 9.9% year-on-year while net profit realized was Rmb22.02 million.

JoinHands Technology (a 27.582% owned associate of the Company) obtained its income mainly from its printing operations and property leasing during the Period. Due to a lack of improvement in the operations, the associate company incurred a loss of Rmb5.05 million during the Period.

Jinhua Co. (a 23.45% owned associate of the Company) operates the 69.7Km Jinhua section of Ningbo-Jinhua Expressway. In 2008, the average daily traffic volume in full-trip equivalents along the section was 7,387, representing an increase of 2.3% year-on-year; while toll income amounted to Rmb144.16 million, an increase of 0.8% year-on-year. However, due to the associate company's heavy financial burdens, the associate company incurred a loss of Rmb118.09 million during the Period.

On 26 November 2004, the Company entered into an agreement with Jiaxing Jiashao and Shaoxing Communication to set up the Zhejiang Jiashao Expressway Co., Ltd, ("JV Co"), for the purpose of investment and participation in the development and operation of the Jiaxing-Shaoxing Expressway. The Company has on November 27, 2008 announced its withdrawal from such investment and participation. A sum of Rmb35 million representing the capital investment by the Company in the project to date, together with disposal gain thereon in the amount of Rmb8.37 million, calculated on the basis of the prevailing basic interest rate for one-year loans announced by the People's Bank of China, was reimbursed by the JV Co to the Company on November 28, 2008.

FINANCIAL ANALYSIS

The Group adopts a prudent financial policy with an aim to provide shareholders with sound returns over the long-term.

During the Period, profit attributable to equity holders of the Company was approximately Rmb1,892.79 million, representing a decrease of 21.7% year-on-year, while earnings per share for the Company was Rmb43.58 cents.

PROFITABILITY

The compound annual growth rates of earnings per share and return on equity in the last five years were 11.5% and 4.9%, respectively. Details are as follows:

	Year ended December 31,				
	2004	2005	2006	2007	**2008**
EPS (Rmb cents)	28.22	32.95	38.06	55.63	**43.58**
YoY Growth rate	21.5%	16.8%	15.5%	46.2%	**-21.7%**
ROE	11.4%	12.8%	13.9%	18.3%	**13.8%**
YoY Growth rate	15.2%	11.8%	8.7%	31.4%	**-24.3%**

LIQUIDITY AND FINANCIAL RESOURCES

As at December 31, 2008, current assets of the Group amounted to Rmb10,450.20 million in aggregate (2007: Rmb12,178.25 million), of which bank balance and cash accounted for 38.8% (2007: 24.9%), bank balance held on behalf of customers accounted for 54.0% (2007: 59.4%) and held-for-trading investments accounted for 2.4% (2007: 5.1%). Current ratio (current assets over current liabilities) as at December 31, 2008 was 1.4 (2007: 1.2). Excluding the effect of customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less balance of cash held on behalf of customers over current liabilities less balance of customer deposits arising from securities dealings) of the Group was 2.6 (2007: 1.8).

	As at December 31, 2008 Rmb'000	2007 Rmb'000
Cash and cash equivalent		
Rmb	**3,710,493**	2,748,980
US$ in Rmb equivalent	**22,668**	21,507
HK$ in Rmb equivalent	**3,784**	3,324
Time deposits- Rmb	**284,068**	226,972
Held-for-trading investments-Rmb	**247,587**	621,220
Available-for-sale investments- Rmb	**28,001**	595,758
Structure deposit- Rmb	**204,667**	—
Total	**4,501,268**	4,217,761
Rmb	**4,474,816**	4,192,930
US$ in Rmb equivalent	**22,668**	21,507
HK$ in Rmb equivalent	**3,784**	3,324

The amount for held-for-trading investments of the Group as at December 31, 2008 amounted to Rmb247.59 million (2007: Rmb621.22 million), of which 96.5% was invested in corporate bonds, 1.9% was invested in the stock market, while the rest was invested in open-end equity funds.

During the Period, net cash inflow generated from the Group's operating activities amounted to Rmb2,699.18 million, representing a decrease of 25.6% over 2007.

The Directors do not expect the Company to experience any problem with liquidity and financial resources in the foreseeable future.

BORROWINGS AND SOLVENCY

As at December 31, 2008, total liabilities of the Group amounted to Rmb8,990.25 million, of which 17.9% was borrowings and 62.4% was customer deposits arising from securities dealings.

Total interest-bearing borrowings of the Group as at December 31, 2008 amounted to Rmb1,609.76 million, representing a decrease of 0.8% over the beginning of the year. The borrowings comprised outstanding balances of the World Bank loans, denominated in US dollar, of approximately Rmb477.36 million in Renminbi equivalent; government loans of Rmb37.40 million; loans from domestic commercial banks totalling Rmb95.00 million; and corporate bonds amounting to Rmb1 billion that was issued by the Company in 2003 for a term of 10 years. Of the interest-bearing borrowings, 76.3% were not repayable within one year.

	Maturity Profiles			
	Gross amount Rmb'000	Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
World Bank loan	477,364	248,497	228,867	–
Commerical bank loans	65,000	65,000	–	–
Fixed rates				
Commercial bank loans	30,000	30,000	–	–
Government loans	37,400	37,400	–	–
Corporate bonds	1,000,000	–	1,000,000	–
Total as at December 31, 2008	1,609,764	380,897	1,228,867	–
Total as at December 31, 2007	1,621,990	288,045	333,945	1,000,000

As at December 31, 2008, the Group's loans from domestic commercial banks comprised semi-annual and annual short-term loans, with interest rates fixed at 6.21% per annum for semi-annual loans and with interest rate floated from 6.21% to 7.20% per annum for annual loans; the interest rate for government loans was fixed at 3.00% per annum; and the annual coupon rate for corporate bonds was fixed at 4.29%, with interest payable annually. The annual interest rate for customer deposits arising from securities dealing was fixed at 0.72% and 0.36%; the annual floating rates of the Group's Rmb477.36 million World Bank loans, denominated in US dollar, were from 2.84% to 5.36%.

Toll road-related business operations

Amid unfavourable market circumstances, our toll road-related business operations have continued to develop rapidly and have become another source of revenue growth for Zhejiang Expressway. In 2007, the Company made a breakthrough by extending its service area operation beyond its operating region: within the following 2 years the Company has won the operating rights of 3 service areas on the Tianjin Section of the Beijing-Shanghai Expressway and the Jiaxing Section of the Hangpu Expressway, as well as the North-shore Service Area on the Hangzhou Bay Bridge, the Cicheng Service Area on the Shenhai Expressway and the Changqing Service Area on the Shandong Jihe Expressway. Looking forward, the Company will be committed to enhancing the quality of its service areas and providing more value-added services to drivers, establishing a quality and professional brand image for Zhejiang Expressway.

Total interest expense for the Period amounted to Rmb76.81 million, while profit before interest and tax amounted to Rmb3,010.89 million. The interest cover ratio (profit before interest and tax over interest expenses) stood at 39.2 (2007: 44.3).

	2008	2007
	Rmb'000	Rmb'000
Profit before tax and interest	3,010,888	4,393,085
Interest expenses	76,809	99,100
Interest cover ratio	39.2	44.3

The asset-liability ratio (total liabilities over total assets) was 35.6% as at December 31, 2008 (December 31, 2007: 42.7%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of customer deposits arising from securities dealings over total assets less balance of cash held on behalf of customers) of the Group was 17.2% (December 31, 2007: 22.4%).

CAPITAL STRUCTURE

As at December 31, 2008, the Group had Rmb16,297.27 million total equity, Rmb6,674.87 million fixed-rate liabilities, Rmb542.36 million floating-rate liabilities and Rmb1,773.02 million interest-free liabilities, representing 64.5%, 26.4%, 2.1% and 7.0% of the Group's total capital, respectively. The gearing ratio, which was computed by dividing the total liabilities less balance of customer deposits arising from securities dealing by total equity, was 20.8% as at December 31, 2008 (December 31, 2007: 28.8%).

	As at December 31, 2008		As at December 31, 2007	
	Rmb'000	%	Rmb'000	%
Total equity	16,297,268	64.5%	15,764,314	57.3%
Fixed rate liabilities	6,674,873	26.4%	8,268,661	30.1%
Floating rate liabilities	542,364	2.1%	564,590	2.0%
Interest-free liabilities	1,773,016	7.0%	2,915,239	10.6%
Total	25,287,521	100.0%	27,512,804	100.0%
Long-term interest-bearing liabilities	1,228,867	4.9%	1,333,945	4.8%
Gearing ratio 1 (Note)	20.8%		28.8%	
Gearing ratio 2 (Note)	7.5%		8.5%	
Asset-liability ratio 1 (Note)	35.6%		42.7%	
Asset-liability ratio 2 (Note)	17.2%		22.4%	

Note: Gearing ratio 1 represents the total liabilities less customer deposits arising from securities dealing to the total equity; gearing ratio 2 represents the total amount of the long-term interest-bearing liabilities to the total equity; Asset-liability ratio 1 represents total liabilities to total assets; Asset-liability ratio 2 represents the total liabilities less customer deposits arising from securities dealing to the total assets less bank balances held on behalf of customers.

CAPITAL EXPENDITURE COMMITMENTS AND UTILIZATION

Capital expenditures of the Group and of the Company for the Period totalled Rmb311.80 million and Rmb47.72 million, respectively, with Rmb97.40 million incurred by the acquisition of equipment, Rmb60.25 million incurred by the remaining construction work of widening project, and Rmb60.67 million incurred by the service area renovation and expansion.

Capital expenditures committed by the Group and by the Company as at December 31, 2008 totalled Rmb1,712.56 million and Rmb849.93 million, respectively. Amongst the total capital expenditures committed by the Group, Rmb1,003.26 million will be used on the remaining construction work of the widening project, while Rmb130.00 million will be used for the acquisition of equipment and Rmb84.30 million will be used for the acquisition and construction of properties.

	As at December 31, 2008					
		Group			Company	
	Commitments	Utilization	Balance	Commitments	Utilization	Balance
	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
Expressway Widening Project						
From Dajing to Fengjing	2,532,514	1,774,176	758,338	—	—	—
From Guzhu to Duantang	2,218,118	1,895,357	322,761	2,218,118	1,895,357	322,761
Acquisition of additional 18.4%						
equity interest in Shangsan Co	485,000	—	485,000	485,000	—	485,000
Renovation of Service Area	10,000	—	10,000	—	—	—
Purchase of machinery	130,000	—	130,000	50,500	—	50,500
Acquisition and construction						
of properties	84,300	—	84,300	3,500	—	3,500
Total	5,459,932	3,747,375	1,712,557	2,757,118	1,907,191	849,927

The Group will finance its above mentioned capital expenditure commitments mainly with internally generated cash flow, with a preference for debt financing to meet any shortfalls thereof.

CONTINGENT LIABILITIES AND PLEDGE OF ASSETS

As at December 31, 2008, the Group did not have any contingent liabilities nor any pledge of assets.

FOREIGN EXCHANGE EXPOSURE

Save for the repayment of a World Bank loan of Rmb477.36 million equivalent in US dollars, as well as dividend payments to overseas shareholders in Hong Kong dollars, the Group's principal operations are transacted and booked in Renminbi. Therefore, the Group's exposure to foreign exchange fluctuations is limited and the Group has not used any financial instrument for hedging purposes.

Although the Directors do not foresee any material foreign exchange risks for the Group, there is no assurance that foreign exchange risks will not affect the operating results of the Group in the future.

HUMAN RESOURCES

As at December 31, 2008, there were 4,631 employees within the Group, amongst whom, 746 worked in the managerial, administrative and technical positions, while 3,885 worked in fields such as toll collection, maintenance, service areas, securities and futures business outlets.

The Company adopts a remuneration policy that aims to be competitive for attracting and retaining talents. Overall remuneration package for employees mainly comprised basic salaries, bonuses and benefits. Bonuses are designed to reflect individual job performances, as well as business and share price performances of the Group, while benefits for employees come in the form of contributions made by the Group to various local social security agencies covering pension, medical and accommodation concerns that are calculated as a percentage of employees' income and in accordance with relevant rules and regulations.

The Company continued to implement the corporate annuity scheme during the Period, and total pension cost charged to the income statement during the Period amounted to Rmb32.32 million.

OUTLOOK

In 2008, in order to proactively cope with the negative impact brought by the global financial crisis to the China's economy, the Chinese government adopted proactive fiscal policies and moderately loosened monetary policies, implementing a number of measures to boost domestic demand and to facilitate a steady but relatively rapid economic growth. Meanwhile, the Zhejiang Provincial Government improved the economic environment through various measures such as increasing investment, boosting consumption and stimulating exports. However, the trend of an economic slowdown has persisted since early 2009 and the benefits of the macro-economic policies have yet to be seen. The economy of Zhejiang Province is expected to see a growth momentum in 2009 in general, though with the possibility of a continued decrease in GDP growth rate. Therefore, the organic growth rates of traffic volumes generated on expressways are expected to fall.

The traffic diversions caused by the open-to-traffic of the Hangpu Expressway and the Hangzhou Bay Bridge in 2008 had gradually stabilized at the end of the Period, but the Company will continue to be negatively affected by such traffic diversions. Meanwhile, the entire Zhuyong Expressway will be opened to traffic in May 2009, which is expected to significantly divert traffic from certain sections on the Shangsan Expressway and the Hangzhou-Ningbo Expressway, thereby reducing the respective toll incomes of the Group.

The toll-by-weight policy for trucks is expected to be implemented on the expressways in Zhejiang Province in the second half of 2009 and will help reduce the amount of overloaded trucks, thereby lowering road maintenance costs for the Group in the long run.

A precise toll income allocation scheme for expressways in the Zhejiang Province is expected to be implemented around mid-2009. The implementation of the scheme will help reduce losses in toll incomes on certain road sections of the Group due to traffic diversions, thereby making positive contribution to toll income on the Shanghai-Hangzhou-Ningbo Expressway.

The non-stop electronic toll collection system within the expressway network in the Yangtze River Delta Region, which was first implemented in Shanghai and Jiangsu, is expected to be extended to other provinces including

Zhejiang Province within 2009. A real expressway network connection in the Yangtze River Delta Region will then materialize. The implementation of such a system will further enhance the traffic capacities of expressways, thereby providing a more expedient and highly efficient service to vehicles travelling on expressways.

The fuel tax reform for vehicles implemented in early 2009 combines road maintenance fees and other fees previously levied into a single fuel tax, which is imposed on sale of petroleum products. This fairer levy scheme will have a long-term and positive impact on the highway transportation industry.

The economic conditions will continue to be grave in 2009. Dragged by factors including slowing economic growth and falling unit retail prices of petroleum products, income from toll road-related business operations is expected to witness a significant decline. The Group will proactively adopt various measures to unearth unutilized potentials and to enhance efficiency, as well as saving energy and reducing consumption, so as to contain the rate of revenue decrease as much as possible.

Despite the great uncertainties facing China's stock market, policies adopted by the government to maintain economic growth and expand domestic demands will bring forth considerable opportunities to the stock market for a turnover rebound. Meanwhile, the launch of different new operations of the Group's securities business will create room for new development.

Faced with the new circumstances, the new session of the Board of the Group will proactively identify new opportunities and formulate new development plans. Supported by its entire staff, the Group will strive to mitigate and eliminate different negative impact through various means such as attracting more traffic volumes, seeking new sources of profit growth and controlling costs, so as to continue to reward our shareholders with satisfactory operating results.

Other businesses

Besides the toll road business and toll road-related business operations, other businesses of the Company have been making contributions to the Company's development. The securities business has been extending its presence to major cities in the whole country, while other associates and jointly-controlled entities such as Petroleum Co have made considerable profit contributions to the Company. From now on, the Company will proactively leverage opportunities and overcome obstacles, seeking further development for each of the other businesses and unearthing new sources of profit growth for Zhejiang Expressway.

Principle Risks and Uncertainties

TOLL BUSINESS RISKS

Economic environment

Various evidences have indicated that the impact of the international financial crisis that broke out in 2008 on the global real economy is deepening. A decline in the growth of the PRC's macro economy is still possible. It is anticipated that toll income from the natural growth of traffic volume on the expressways will drop. The operations, financial position and operating results of the Group may be adversely affected as a result.

Competition

The vehicle diversion as a result of the opening of Hangpu Expressway and Hangzhou Bay Bridge will continue. Zhuyong Expressway will become fully operational in May 2009, which is expected to result in a significant vehicle diversion impact. Therefore, this will lead to competition with Shanghai-Hangzhou-Ningbo Expressway and Shangsan Expressway of the Group. We cannot guarantee traffic volume on the expressways under the Group will maintain the same level or increase in the future, and that the operating results of the Group will not be affected.

Concession period extension

Since the expansion works of Shanghai-Hangzhou-Ningbo Expressway has been completed, we plan to apply for the extension of the concession period for the construction and management of Shanghai-Hangzhou-Ningbo Expressway and charging tolls from Shanghai-Hangzhou-Ningbo Expressway. We cannot guarantee the Zhejiang Provincial Government will timely approve the application for extending the concession or that no material delays or serious difficulties will arise in the course of the application for extending the concession period, which may may have an adverse impact on the operations, financial position and operating results of the Group.

Toll-by-weight policy

It is anticipated that the toll-by-weight policy for trucks will be implemented in Zhejiang Province in the second half of 2009. This means that tolls will be charged from trucks based on their weight. Although the impact of such measure is still uncertain, we cannot guarantee the Zhejiang Provincial Government will approve a charging policy for trucks which will not adversely affect the toll income of the Group.

SECURITIES BUSINESS RISKS

Market Fluctuations

Our securities business is susceptible to market fluctuates and may experience periods of high volatility accompanied by reduced liquidity and may be materially affected by economic and other factors such as global market conditions; the availability and cost of capital; the liquidity of global markets, the level and volatility of equity prices, commodity prices and interest rates currency values and other market indices; inflation, natural disasters; acts of war or terrorism; investor sentiment and confidence in the financial markets. There is no assurance that our securities business will not be adversely affected by fluctuations in the market, or that our securities business will continue to contribute to our overall profit margin.

Regulation of Securities Business

We are subject to extensive regulations in the PRC in which we conduct our securities business and face the risk of intervention by the PRC regulatory authorities. We could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities, among other things. Significant regulatory action against us could have material adverse financial effects, cause us significant reputational harm, or ham our business prospects. New laws or regulations or changes in the enforcement of existing laws or regulations applicable to our clients may also adversely affect our business.

FINANCIAL RISKS

For financial risks and uncertainties of the Group, see notes 4, 5 and 6 to the Consolidated Financial Statements.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE ANNUAL REPORT AND ACCOUNTS

The directors of the Company duly confirms that, to the best of their knowledge:

— the consolidated financial statements prepared in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and profit of the Group and the undertakings included in the consolidation taken as a whole; and

— the management discussion and analysis included in this annual report includes a fair review of the development and performance of the business and the position of the Group and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties that the Group faces.

Year 2009 up to now, there are no substantial events happen that will have material impact on the normal operation of the Group.

For and on behalf of the Board
ZHANG Jingzhong
Executive Director/Deputy General Manager

Hangzhou, Zhejiang Province, the PRC
March 17, 2009

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

The Company has adopted the Guidelines on Corporate Governance that closely followed the principles of good governance in Appendix 14 ("Appendix 14") of the Rules Governing the Listing of Securities (the "Listing Rules") on the Stock Exchange of Hong Kong Limited ("Stock Exchange").

During the financial year 2008 (the "Period"), the Company met all code provisions in the Code on Corporate Governance Practices (the "Code") contained in Appendix 14, and adopted the recommended best practices contained in the Code whenever applicable.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has formulated and adopted the Rules on Securities Dealings ("Rules on Securities Dealings") for the directors, supervisors, senior management personnel and other employees of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") contained in Appendix 10 of the Listing Rules.

Upon specific inquiries to all the Directors, the Directors have confirmed their respective compliance with the required standards for securities transactions by directors as set out in the Model Code and the Rules on Securities Dealings.

BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD")

The executive directors of the Company during the Period are:
Mr. GENG Xiaoping (Chairman)
Mr. FANG Yunti (General Manager)
Mr. ZHANG Jingzhong
Mr. JIANG Wenyao

The non-executive directors of the Company during the Period are:
Ms. ZHANG Luyun
Ms. ZHANG Yang

The independent non-executive directors of the Company during the Period are:
Mr. TUNG Chee Chen
Mr. ZHANG Junsheng
Mr. ZHANG Liping

During the Period, the Board held a total of five meetings. Individual attendances by the directors (as indicated by the numbers of meetings attended/numbers of meetings held) are as follows:

Mr. GENG Xiaoping	5/5
Mr. FANG Yunti	5/5
Mr. ZHANG Jingzhong	5/5
Mr. JIANG Wenyao	5/5
Ms. ZHANG Luyun	4/5
Ms. ZHANG Yang	5/5
Mr. TUNG Chee Chen	5/5
Mr. ZHANG Junsheng	4/5
Mr. ZHANG Liping	5/5

The Board is charged with duties as well as given powers that are expressly specified in the articles of association of the Company, the scope of which includes, amongst others: to determine the business plans and investment proposals of the Company; to prepare the financial budget and final accounts of the Company; to determine the dividend policy of the Company; to appoint or dismiss senior managerial officers of the Company as well as to determine their remuneration; and to draw up proposals for any material acquisition or sale by the Company.

To assist the Board effectively discharge its duties, the Board has set up four special committees: the Audit Committee, the Nomination and Remuneration Committee, the Strategic Committee, and the Connected Transaction Committee.

While the Board fully retains its power to decide on matters within its scope of duties and powers, relevant preparation and drawing up of plans or proposals were usually delegated to the management.

The Company has complied with the requirements under Rules 3.10(1) and (2) of the Listing Rules, and the Board has appointed three Independent Non-executive Directors, with at least one possessing the appropriate professional qualification or with accounting or related financial management expertise.

Pursuant to Rules 3.13 of the Listing Rules, the Company has specifically inquired all three Independent Non-executive Directors and received their respective confirmation of independence during the Period. The Company still considers the Independent Non-executive Directors to be independent.

There were no financial, business, family or other material/relevant relationships between members of the Board, including that between the Chairman and the General Manager of the Company.

CHAIRMAN AND GENERAL MANAGER

During the Period, the positions of Chairman and General Manager of the Company were separately held by Mr. GENG Xiaoping and Mr. FANG Yunti, respectively, with fully segregated roles expressly set out in the articles of association of the Company.

NON-EXECUTIVE DIRECTORS

The non-executive directors of the Company are appointed for a period of three years, from March 1, 2006 to February 28, 2009.

NOMINATION AND REMUNERATION OF DIRECTORS

The Board has a Nomination and Remuneration Committee, mainly responsible for reviewing and making recommendations for the selection standards and procedures for Directors, General Manager and other senior management of the Company; identifying qualified candidates and making reviews and recommendations thereon; and determining, supervising and monitoring the implementation of the remuneration policies for the Directors and senior management personnel. For the details of its terms of reference, please refer to the "Corporate Governance" section in the Company's web site.

The Nomination and Remuneration Committee comprised of three Independent Non-executive Directors, namely, Mr. TUNG Chee Chen, Mr. ZHANG Junsheng, and Mr. ZHANG Liping, with Mr. ZHANG Liping as the Chairman of the committee.

During the Period, there were no changes to the members of the Board and senior management for the current session. Since their remuneration was already determined at an earlier time, the Nomination and Remuneration Committee of the Company had not held any meetings during the Period.

AUDITORS' REMUNERATION

During the Period, the Company had paid HK$3,600,000 (Rmb3,248,820 equivalent) and Rmb840,000 to Deloitte Touche Tohmatsu Certified Public Accountants (the Hong Kong auditors) and Zhejiang Pan China Certified Public Accountants (the PRC auditors) for audit services for 2007, respectively. The auditors had provided no other non-audit services to the Company.

AUDIT COMMITTEE

The Board has an Audit Committee which is mainly responsible for providing advice to the Board regarding the appointment, reappointment and removal of external auditors; the supervision of the integrity of the Company's financial statements and annual reports and accounts, half-yearly and quarterly reports, and the review of important opinions in relation to financial reporting as set out in statements and reports, and the review of the Company's financial control, internal control and risk management system. For the details of its terms of reference, please refer to the "Corporate Governance" section in the Company's web site.

The Audit Committee comprised of five Non-executive Directors, three of whom are Independent Non-executive Directors, namely Mr. TUNG Chee Chen, Mr. ZHANG Junsheng and Mr. ZHANG Liping, and the remaining two are Non-executive Directors, namely Ms. ZHANG Luyun and Ms. ZHANG Yang, with Mr. TUNG Chee Chen as the Chairman of the committee.

During the Period, the Audit Committee held a total of four meetings. Individual attendances by the members of the committee (as indicated by the numbers of meetings attended/numbers of meetings held) are as follows:

Mr. TUNG Chee Chen	4/4
Mr. ZHANG Junsheng	4/4
Mr. ZHANG Liping	4/4
Ms. ZHANG Luyun	3/4
Ms. ZHANG Yang	4/4

In the meetings held during the Period, the Audit Committee conducted, amongst others, review of financial statements for the quarterly, interim and annual results, the effectiveness of the system of internal control and the reporting thereof to the Board, as well as recommendation on the re-appointment of external auditors.

During the Period, the Company has complied with the requirements on the composition of the audit committee as set out in Rule 3.21 of the Listing Rules.

During the Period, the Directors have all confirmed their responsibility for preparing the accounts, and that there were no events or conditions which would have a material impact on the Company's ability to continue to operate as a going concern basis.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2008, the interests of the Directors, Supervisors and Chief Executives in the share capital of the Company's associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code are set out below:

Interest in the shares of Zhejiang Expressway Investment Development Co., Ltd.*

Name	Position	Contribution of capital (Rmb)	Nature of interest	Percentage of the registered capital of associated corporation
Mr. GENG Xiaoping	Chairman	3,600,000	Legally and beneficially owned	3.00%
Mr. FANG Yunti	Director/General Manager	2,880,000	Same as above	2.40%
Mr. JIANG Wenyao	Director	1,980,000	Same as above	1.65%
Mr. ZHANG Jingzhong	Director	1,650,000	Same as above	1.38%
Mr. FANG Zhexing	Supervisor	1,050,000	Same as above	0.88%

* *a 51% owned subsidiary of the Company*

Save as disclosed above, as at December 31, 2008, none of the Directors, Supervisors and Chief Executives had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2008, the interests and short positions of other persons in the shares and underlying shares of the Company according to the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (domestic shares)
Communications Investment Group	Beneficial owner	2,432,500.00	83.61%
Huajian	Beneficial owner	476,760,000	16.39%

Substantial shareholders	Capacity	Total interests in number of ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
Ballie Gifford & Co.	Investment manager	211,890,275(L)	14.78%
JP Morgan Chase & Co.	Beneficial owner, investment manager and custodian corporation/ approved lending agent	156,233,246(L) 2,025,760(S) 139,303,052(P)	10.90% 0.14% 9.72%
T.Rowe Price Associates, Inc. and its Affiliates	Interest of controlled corporations	128,275,000(L)	8.94%
The Bank of New York Mellon Corporation	Interest of controlled corporations/ approved lending agent	92,914,921(L) 29,759,100(P)	6.48% 2.08%

The letter "L" denotes a long position. The Letter "S" denotes a short position. The Letter "P" denotes interest in a lending pool.

Save as disclosed above, as at December 31, 2008, no other persons had any interests or short positions in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHAREHOLDERS' RIGHTS

Pursuant to the Articles of Association of the Company, two or more shareholders who in aggregate hold 10% or more of the voting rights of all the shares of the Company having the right to vote may write to the Board to request the convening of an extraordinary general meeting and specifying the agenda of the meeting. Upon receipt of the request in writing, the Board shall convene the extraordinary general meeting as soon as possible. Shareholders who hold in aggregate 5% or more of the voting rights of all the shares of the Company having the right to vote are entitled to propose additional motions in annual general meeting, provided that such motions are served on the Company within 30 days after the issue of the notice of annual general meeting.

Written requests, proposals and enquiries maybe send to the Company at the following address:

Zhejiang Expressway Co., Ltd.
12/F, Block A, Dragon Century Plaza
1 Hangda Road
Hangzhou, Zhejiang 310007
The People's Republic of China
Attention: Company Secretary

INVESTOR RELATIONS

There were no changes made to the Articles of Association of the Company during the Period.

During the Period, the last shareholders' meeting of the Company took place at 9:00 a.m. on Thursday, May 15, 2008 at 12/F, Block A, Dragon Century Plaza, 1 Hangda Road, Hangzhou, Zhejiang Province, the People's Republic of China. Shareholders voted by way of poll, and approved the reports of the directors and of the supervisory committee for 2007, the audited financial statements for 2007, a final dividend for 2007, the final report for 2007 and the financial budget for 2008, as well as the re-appointment of external auditors.

The next annual general meeting of the Company is expected to be held on May 4, 2009 to consider the resolutions in respect of the reports of the directors and of the supervisory committee for 2008, the audited financial statements for 2008, a final dividend for 2008, the final report for 2008 and the financial budget for 2009, as well as the re-appointment of external auditors.

The Company's shares comprised of Domestic Shares and H Shares. The Domestic Shares were held by Zhejiang Communications Investments Group Co., Ltd as to 2,432,500,000 shares and by Huajian Transportation Economic Development Center as to 476,760,000 shares, representing 56% and 11% of the total shareholding respectively. As at the date of this report, and to the best of the Directors' knowledge, 100% of the H shares of the Company, with a total shareholding of 1,433,854,500 shares, which accounts for approximately 33% of all issued capital of the Company, are held by the public.

INTERNAL CONTROLS

The Company has set up internal monitoring system that included the protection of assets as well as the preservation of accounting and financial information, capable of taking necessary steps in reaction to possible changes in our business and operating environment. The Company's Audit Committee is charged with the duties of monitoring, reviewing and directing the monitoring activities. Aside from reviewing the annual reporting by outside auditors, the Audit Committee also reviews internal special investigation report by internal audit department, covering all major business activities of the Company on a quarterly basis, to examine the effectiveness of internal control system and risk management system. Any important comments and/or recommendations by the Audit Committee are implemented by relevant units under the supervision of internal audit department.

During the Period, the directors of the Company had carried out a review of the effectiveness of the system of internal control of the Company, covering all material controls, including financial, operational and compliance controls and risk management functions. There were no major breaches in the internal control system that may have had an impact to shareholders' interests.

MANAGEMENT FUNCTIONS

The management functions of the Board and the management are specifically stipulated in the Articles of Association of the Company. Pursuant to the Articles of Association of the Company, the management of the Company is assigned the functions to be in charge of the production and business operation of the Company and to organize the implementation of the resolutions of the board of directors, to organize the implementation of the annual business plan and investment program of the Company, to prepare plans for the establishment of the internal management structure of the Company, to prepare the basic management systems of the Company, and to formulate basic rules and regulations of the Company, etc.

Directors, Supervisors and Senior Management Profiles

DIRECTORS

EXECUTIVE DIRECTORS

Mr. CHEN Jisong, born in 1952, is a senior engineer with professorial certification. Mr. Chen has been appointed as the chairman of the Company since March 1, 2009. In 1978, Mr. Chen graduated from Nanjing Institute of Technology majoring in civil engineering with an emphasis on road construction. From 1978 to 1982, Mr. Chen served as Deputy Chief then Chief of Division No. 1 under the Municipal Construction Department in Hangzhou, Zhejiang Province. From 1982 to 1990, he was Deputy Manager then Manager of the Municipal Construction Company in Hangzhou, Zhejiang Province. From 1990 to 1997, he was Deputy Director then Director of Urban and Suburban Construction Commission of Hangzhou, Zhejiang Province. From 1990 to 1993, he served as Deputy Director of Economic Development Zone in Hangzhou, Zhejiang Province. From 1997 to 2000, Mr. Chen was Deputy Mayor of Hangzhou, Zhejiang Province. From 2000 to 2005, he became Director of the Bureau of Construction of Zhejiang Provincial Government. Mr. Chen has been Chairman of Communications Investment Group (the controlling shareholder of the Company) since 2005.

Mr. ZHAN Xiaozhang, born in 1964, is a senior economist with a bachelor's degree in law. Mr. Zhan has been appointed as an Executive Director and the General Manager of the Company since March 1, 2009. In 2005, Mr. Zhan obtained a master's degree in public administration from the Business Institute of Zhejiang University. From 1985 to 1991, Mr. Zhan worked as an officer at Transport Administrative Division under Waterway Transport Authority of Zhejiang Provincial Bureau of Construction. From 1991 to 1998, he served as Deputy Secretary then Secretary of the Communist Youth League Commission at Zhejiang Provincial Bureau of Communications. From 1998 to 2002, he was Deputy Director of Waterway Transport Authority under Zhejiang Provincial Bureau of Communications. From 2002 to 2003, he was Deputy Director of Human Resources Department at Zhejiang Provincial Bureau of Communications. From 2003 to 2006, Mr. Zhan was Chairman of Zhejiang Wenzhou Yongtaiwen Expressway Co., Ltd. From 2006 to 2008, he became Chairman of Zhejiang Jinji Property Co., Ltd. Mr. Zhan has been Assistant to General Manager and Manager of Research and Development Department at Zhejiang Communications Investment Group Co., Ltd. (the controlling shareholder of the Company) from 2006 to 2009.

Mr. ZHANG Jingzhong, born in 1963, is a senior lawyer, Executive Director and Company Secretary of the Company. Mr. Zhang graduated from Zhejiang University (previously known as Hangzhou University) in July 1984 with a bachelor's degree in law. In 1984, he joined the Zhejiang Provincial Political Science and Law Policy Research Unit. From 1988 to 1994, he was Associate Director of Hangzhou Municipal Foreign Economic Law Firm. In 1992, he obtained the qualifications required by the regulatory authorities in China to practice securities law. In January 1994, Mr. Zhang became Senior Partner at T&C Law Firm in Hangzhou. Mr. Zhang has been Executive Director and Company Secretary of the Company since March 1997, and was appointed Deputy General Manager in March 2002. He was re-appointed as Company Secretary in March 2003 and as Deputy General Manager in March 2006. Mr. Zhang also serves as Director at Shangsan Co., Development Co., Petroleum Co., and Vice Chairman at Zheshang Securities.

Mr. JIANG Wenyao, born in 1966, is Deputy General Manager of the Company. Mr. Jiang graduated from Zhejiang University, majoring in industrial automation and manufacturing mechanics, and obtained a master's degree in engineering. From March 1991 to February 1997, he worked in the Engineering Division, the Planning and Finance Division and the Equipment Division of the Zhejiang Provincial Expressway Executive Commission. He joined the Company since March 1997, and has served as Deputy Manager of the General Department, Manager of the Equipment Department, Manager of the Operation Department, Assistant to General Manager and Company Secretary. He has been serving as Deputy General Manager since March 2003 and Executive Director and Deputy General Manager since March 2006. Mr. Jiang also serves as Director and General Manager at Development Co., and Director at Yuhang Co., both subsidiaries of the Company.

NON-EXECUTIVE DIRECTORS

Ms. ZHANG Luyun, born in 1961, is a senior economist and Director and Deputy General Manager of Communications Investment Group (the controlling shareholder of the Company) Ms. Zhang graduated from the Department of Chinese Language at Zhejiang University, majoring in Chinese Language, and obtained an EMBA degree from China Europe International Business School in 2008. From 1983 to 1997, she served as Secretary, Deputy Chief and Chief of the Office of Hangzhou City Communist Party Committee. In 1997, she was Deputy President of Hangzhou Broadcasting and TV College. She joined Communications Investment Group in December 2001 and has been Director and Deputy General Manager since then. Ms. Zhang has been Non-executive Director of the Company since March 2003.

Ms. ZHANG Yang, born in 1964, is Deputy General Manager of Huajian Transportation Economic Development Center. In 1987, she graduated from Lanzhou University with a bachelor's degree in economics. In 2001, she completed the postgraduate studies in economics management at the Central Party School. From 1987 to 1994, she worked for the Ministry of Aviation. Ms. Zhang is currently Non-executive Director of Shenzhen Expressway Company Limited, Sichuan Expressway Company Limited, Jiangsu Expressway Company Limited and Xiamen Port Development Company Limited. Ms. Zhang has been Non-executive Director of the Company since March 2003.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. TUNG Chee Chen, born in 1942, is Chairman (Chief Executive Officer) of Orient Overseas (International) Limited. He is an Independent Non-executive Director, a member of the Nomination and Remuneration Committee and Chairman of the Audit Committee of the Company. Mr. Tung was educated at the University of Liverpool, England, where he received his bachelor's degree in science. He later obtained a master's degree in mechanical engineering at the Massachusetts Institute of Technology in the United States. Mr. Tung has been Independent Non-executive Director of the Company since March 1997. In addition, Mr. Tung also holds directorships in the following listed public companies: Independent Non-executive Director of BOC Hong Kong (Holdings) Limited, Cathay Pacific Airways Limited, PetroChina Company Limited, Sing Tao News Corporate Limited, Wing Hang Bank Limited and U-Ming Marine Transport Corp.

Mr. ZHANG Junsheng, born in 1936, is a professor, Independent Non-executive Director and a member of the Audit Committee and the Nomination and Remuneration Committee of the Company. Mr. Zhang graduated from Zhejiang University in 1958, and was Lecturer, Associate Professor, and Advising Professor at Zhejiang University. He was also Professor concurrently at, amongst other universities, Zhongshan University. In 1980, he became Deputy General Secretary of Zhejiang University. In 1983, Mr. Zhang served as Deputy General Secretary in the Hangzhou City Communist Party Committee. In 1985, he began to work for the Xinhua News Agency, Hong Kong Branch, and had become its Deputy Director since July, 1987 and was Consultant to the Sichuan Provincial Government and Senior Consultant to the Shenzhen Municipal Government. Since September 1998, Mr. Zhang has taken up the position of General Secretary of Zhejiang University. From 2003 to 2008, Mr. Zhang served as Director of the Zhejiang Province Economic Development Consultation Committee and he is currently Special Advisor to the Zhejiang Provincial Government, Chairman of Zhejiang University Development Committee, Honorary Doctor of Science of City University of Hong Kong, Honorary Academician of Asian Knowledge Management Association and Honorary Professor of Canadian Chartered Institute of Business Administration. Mr. Zhang has been Independent Non-executive Director of the Company since March 2000.

Mr. ZHANG Liping, born in 1958, is Chief Executive Officer of Credit Suisse in China. He is Independent Non-executive Director, a member of the Audit Committee and Chairman of the Nomination and Remuneration Committee of the Company. Mr. Zhang graduated from the University of International Business & Economics of Beijing and received a master's degree in international affairs and international laws from St. John's University in New York, the United States. He also attended New York University's MBA program. Mr. Zhang held a number of senior positions at other organizations, including Chief Executive Officer of Imagi International Holdings Limited, Managing Director of Pacific Concord Holdings Limited, Managing Director and Geographic Head - Greater China

Region of Dresdner Banking Group, and Director of the Investment Banking Division and China Chief Representative of Merrill Lynch Co. & Inc. Mr. Zhang has been Independent Non-executive Director of the Company since March 2003.

SUPERVISOR

SUPERVISOR REPRESENTING SHAREHOLDERS

Mr. MA Kehua, born in 1952, is a senior economist and Chairman of the Supervisory Committee. Mr. Ma graduated from the Mechanics Department of Shanghai Railway Institute in 1977, after which he worked as an Engineer at Shanghai Railway Bureau No.1 Construction Company and the Plumbing and Electricity Section of Shanghai Railway Bureau, Hangzhou Branch. Mr. Ma was in charge of the Planning and Finance Division at Zhejiang Local Railway Company, and in 1993 became Deputy Division Chief and Division Chief of Zhejiang Jinwen Railway Executive Commission responsible for materials supply. Mr. Ma took up the post of Deputy General Manager of Zhejiang Provincial High Class Highway Investment Company Limited in June 1999, and is currently Deputy General Manager of Communications Investment Group (the controlling shareholder of the Company).

SUPERVISOR REPRESENTING EMPLOYEES

Mr. FANG Zhexing, born in 1965, is a Senior Engineer, the Manager of the Human Resources Department of the Company. He is also the Chairman of Hangzhou Shida Expressway Co., Ltd., a jointly controlled entity of the Company. Mr. Fang graduated from Zhejiang University where he received a master's degree in engineering. From 1986 to 1988 he was the Assistant Engineer in the Project Management Office of the Electric Power and Water Conservancy Bureau in Taizhou. From 1991 until 1997, he was the Engineer in the Project Management Office of Zhejiang Provincial Expressway Executive Commission, where he participated in the project management of Shanghai-Hangzhou-Ningbo Expressway. Since March 1997, he has served as the Deputy Manager and the Manager of the Planning and Development Department, the Manager of the Project Development Department, the Director of Quality Management Office and the Director of Internal Audit Department of the Company.

INDEPENDENT SUPERVISORS

Mr. ZHENG Qihua, born in 1963, is a senior accountant and independent non-executive member of the Supervisory Committee. Mr. Zheng was among the first batch of Chinese registered accountants who obtained qualifications required for practicing accountancy involving securities in 1992. He has working and training experience in Hong Kong and Singapore, and he worked with the Listing Division of the China Securities Regulatory Commission during 1997 and 1998. In 2004, he was a member of the Sixth Session of the Public Offering Review Committee of the China Securities and Regulatory Commission. He is currently Deputy General Manager of Zhejiang Pan-China Certified Public Accountants and Guest Professor at Zhejiang Gongshang University and Zhejiang Finance & Economics Institute.

Mr. JIANG Shaozhong, born in 1946, is a professor. Mr. Jiang graduated from the Management Department of Zhejiang University with a master's degree. In 1982, he worked in the Management Department of Zhejiang University as Lecturer, Assistant Professor, Professor, Dean of Research Office and Deputy Dean of the Department. From 1984 to 1985, he was Visiting Scholar at Stanford University in the United States. From 1991 to 1998 he was Deputy General Economist, Chief of the Financial Division, Chief of the Teaching Division and Standing Deputy Dean of the Management School of Zhejiang University. He is currently Deputy General Accountant of Zhejiang University.

Mr. WU Yongmin, born in 1963, is an assistant professor. Mr. Wu graduated from China University of Political Science and Law with a master's degree in law in 1990. He was Deputy Dean of the Department of Law at Hangzhou University, Deputy Dean and Standing Deputy Dean of the Department of Law at Zhejiang University's Law School, and Director of Zhejiang Zheda Law Firm. Mr. Wu studied at Christian-Albrechts-Universit ät zu Kiel in 1996 as Visiting Scholar. He is currently Acting Dean of the Department of Law at the Law School of Zhejiang University, Supervisor for master's degree candidates in Business Law, member of China Business Law Research Council, Deputy Director of Zhejiang Tax Law Research Council, Arbitrator of Hangzhou Arbitration Committee, and Lawyer at Zhejiang Zeda Law Firm.

OTHER SENIOR MANAGEMENT MEMBERS

Mrs. HUANG Qiuxia, born in 1956, senior economist, and is the Deputy General Manager of the Company. Mrs. Huang graduated from Hangzhou Non-professional Technology University in 1988 majoring in Human Resource Management. From 1976 to 1991, she was the Deputy Chief of Labor Division of Hangzhou Clock and Watch Factory. She joined the Zhejiang Provincial Expressway Executive Commission in August 1991, and was involved in matters related to labor wages, personnel, external affairs etc. During the period from March 1997 to February 2003, she was the Deputy Manager and Manager of General Department of the Company. Mrs. Huang also serves as Director and Deputy General Manager at Jiaxing Co.

Mr. PAN Jiaxiang, born in 1951, senior engineer, and is the Deputy General Manager of the Company. Mr. Pan graduated from Hangzhou University, majoring in economic management. From 1987 to 1992, he was the Deputy Director of the Office of Shangyu City People's Government, and at the same time served as the Director of the Executive Commission of the Shanghai-Hangzhou-Ningbo Expressway (Shangyu Section). From January 1993 to April 1996, he was the Director and the Secretary of Party Committee of Shangyu City Communications Bureau. He has worked in the Company since April 1997, and served as Deputy Manager of Maintenance Department, Assistant of the General Manager and Director and Chief Supervisory Engineer of Widening Project Office, Director and General Manager of Shangsan Co. Mr. Pan is also serving as a Director at Zheshang Securities.

Mr. WU Junyi, born in 1969, a holder of master degree in accounting, and is the Chief Financial Officer of the Company. Mr. Wu graduated from Xi'an Communications University in 1996. From 1996 to 1997, he was with the China Investment Bank, Hangzhou Branch. He joined the Company in May 1997, and has served as Manager of Securities Investment Department and Manager of Planning and Finance Department.

Report of the Directors

The Directors of the company hereby present their report and the audited financial statements of the Company and the Group for the year ended December 31, 2008.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the operation, maintenance and management of high grade roads, as well as development and operation of certain ancillary services, such as advertising, automobile servicing and fuel facilities, as well as provision of security broking service and proprietary securities trading.

SEGMENT INFORMATION

During the year, the entire revenue and contribution to profit from operating activities of the Group were derived from the People's Republic of China ("PRC"). Accordingly, a further analysis of the revenue and contribution to profit from operating activities by geographical area is not presented. However, an analysis of the Group's revenue and contribution to profit from operating activities by principal activity for the year ended December 31, 2008 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2008 and the state of affairs of the Group and the Company at that date are set out in the financial statements on pages 46 to 111.

An interim dividend of Rmb0.07 per share (approximately HK$0.08) was paid on October 21, 2008. The Directors recommend the payment of a final dividend of Rmb0.24 (approximately HK$0.27) in respect of the year, to shareholders whose names appeared on the register of members of the Company on April 9, 2009. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the balance sheet. The dividend payout ratio reached 71.1% during the Period. Further details of the dividends are set out in note 15 to the financial statements.

FIVE YEAR SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results, and of the assets, liabilities and minority interests of the Group prepared on the basis set out in the notes below.

		Year ended December 31,			
	2008	2007	2006	2005	2004
Results	**Rmb'000**	Rmb'000	Rmb'000	Rmb'000	Rmb'000
		(Restated)	(Restated)	(Restated)	(Restated)
REVENUE	**6,323,470**	7,030,380	4,763,780	3,456,385	3,131,993
Operating costs	**(3,133,244)**	(3,089,133)	(2,076,670)	(1,195,428)	(881,355)
Gross profit	**3,190,226**	3,941,247	2,687,110	2,260,957	2,250,638
Security investment (loss) income	**(316,213)**	475,828	80,421	33,982	(36,158)
Other income	**211,420**	134,607	123,531	151,965	77,804
Administrative expenses	**(70,003)**	(81,089)	(71,022)	(62,766)	(74,506)
Other expenses	**(38,947)**	(93,259)	(32,901)	(41,635)	(243,823)
Finance costs	**(76,809)**	(60,552)	(71,991)	(101,343)	(103,457)
Share of profit (loss) of associates	**10,659**	(4,655)	4,435	7,217	9,086
Share of profit of a jointly controlled entity	**23,746**	20,406	23,344	16,285	19,622
PROFIT BEFORE TAX	**2,934,079**	4,332,533	2,742,927	2,264,662	1,899,206
INCOME TAX EXPENSE	**(668,928)**	(1,191,638)	(884,036)	(692,366)	(542,749)
PROFIT FOR THE YEAR	**2,265,151**	3,140,895	1,858,891	1,572,296	1,356,457
Attributable to:					
Equity holders of the Company	**1,892,787**	2,415,965	1,652,871	1,431,192	1,225,699
Minority interests	**372,364**	724,930	206,020	141,104	130,758
EARNINGS PER SHARE	**43.58 cents**	55.63 cents	38.06 cents	32.95 cents	28.22 cents

		As at December 31,			
	2008	2007	2006	2005	2004
Assets and liabilities	**Rmb'000**	Rmb'000	Rmb'000	Rmb'000	Rmb'000
		(Restated)	(Restated)	(Restated)	(Restated)
Total assets	**25,287,521**	27,512,804	19,570,419	16,311,656	15,465,649
Total liabilities	**(8,990,253)**	(11,748,490)	(6,217,967)	(3,947,788)	(3,653,143)
Net assets	**16,297,268**	15,764,314	13,352,452	12,363,868	11,812,506

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2007 have been extracted from the Company's 2007 annual report dated March 10, 2008, while those of the year ended December 31, 2008 were prepared based on the consolidated income statement as set out on page 46 of the financial statements.

2. The 2008 earnings per share is based on the profit attributable to equity holders of the Company for the year ended December 31, 2008 of Rmb1,892,787,000 (2007: Rmb2,415,965,000) and the 4,343,114,500 ordinary shares (2007: 4,343,114,500 ordinary shares) in issue during the year.

3. Differences in Financial Statements prepared under PRC GAAP and HKFRSs

	Profit for the year		**Net assets as at December 31,**	
	2008	2007	**2008**	2007
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
		(Restated)		(Restated)
As reported in the statutory financial statements of the Group prepared in accordance with PRC GAAP	**2,276,136**	3,140,837	**16,508,461**	15,965,225
HK GAAP adjustments:				
(a) Goodwill	**—**	(4,385)	**(199,769)**	(199,769)
(b) Amortization provided, net of deferred tax	**(4,610)**	6,443	**(156,062)**	(152,155)
(c) Difference in the share premium account during establishment	**—**	—	**11,923**	11,923
(d) General provision on accounts receivable and other debts	**—**	(9,962)	**—**	—
(e) Assessment on impact of appreciation, net of deferred tax	**(2,851)**	5,487	**77,988**	80,839
(f) Others	**(81)**	804	**3,510**	3,591
(g) Minority interests	**(3,443)**	1,671	**51,217**	54,660
As restated in the financial statements	**2,265,151**	3,140,895	**16,297,268**	15,764,314

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases, respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

CONNECTED TRANSACTIONS

During the year, the Company has entered into a continuing connected transaction with its subsidiary and a fellow subsidiary, details of which are set out in note 43 to the financial statements.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Company and the Group during the year are set out in note 17 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Company and the Group as at December 31, 2008 are set out in note 41 to the financial statements.

RESERVES

Details of movements in the reserves of the Company and the Group during the year are set out in the consolidated statement of changes in equity on page 49 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2008, before the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under HK GAAP, amounted to Rmb1,692,892,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,645,726,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalisation issues.

TRUST DEPOSITS

As at December 31, 2008, other than the deposits of Rmb9,931,977 placed in non-bank financial institutions in the PRC, the Group did not have any trust deposits with any non-bank financial institution in the PRC. Nearly all of the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the year.

DIRECTORS

The Directors of the Company during the year and up to the date of this report are:

EXECUTIVE DIRECTORS

Mr. Geng Xiaoping (term expired on February 28, 2009)
Mr. Fang Yunti (term expired on February 28, 2009)
Mr. Chen Jisong (newly appointed on March 1, 2009)
Mr. Zhan Xiaozhang (newly appointed on March 1, 2009)
Mr. Zhang Jingzhong
Mr. Jiang Wenyao

NON-EXECUTIVE DIRECTORS

Ms. Zhang Luyun
Ms. Zhang Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Tung Chee Chen
Mr. Zhang Junsheng
Mr. Zhang Liping

CHANGE IN DIRECTORS AND SENIOR MANAGEMENT

At the extraordinary general meeting held by the Company on February 27, 2009, Mr. CHEN Jisong and Mr. ZHAN Xiaozhang were newly elected as members of the fifth session of the Board of Directors, Mr. ZHANG Jingzhong, Mr. JIANG Wenyao, Ms. ZHANG Luyun, Ms. ZHANG Yang, Mr. TUNG Chee Chen, Mr. ZHANG Junsheng, and Mr. ZHANG Liping were re-elected as members of the fifth session of the Board of Directors. Mr. GENG Xiaoping and Mr. FANG Yunti retired from their positions of the fourth session of the Board of Directors upon expiry of their term of office on February 28, 2009 as they have approached their retirement age.

At the same extraordinary general meeting, Mr. MA Kehua, Mr. ZHENG Qihua, Mr. JIANG Shaozhong and Mr. WU Yongmin were re-elected as members of the fifth session of the Supervisory Committee. Mr. FANG Zhexing was re-elected as member of the fifth session of the Supervisory Committee representing employees on the employees' representative meeting held on February 19, 2009.

The term of the fifth session of the Board of Directors and the Supervisory Committee is three years, commencing on March 1, 2009 and expiring on February 29, 2012.

Following the election, the fifth session of the Board of Directors held its first meeting on February 27, 2009, and elected Mr. CHEN Jisong as Chairman of the Company, appointed Mr. CHEN Jisong as Chairman of the Strategic Committee, Mr. TUNG Chee Chen as Chairman of the Audit Committee, and Ms. ZHANG Luyun as Chairwoman of the Nomination and Remuneration Committee.

In the same meeting of the Board of Directors, Mr. ZHAN Xiaozhang was appointed as General Manager of the Company; Mr. JIANG Wenyao, Mr. ZHANG Jingzhong, Ms. HUANG Qiuxia and Mr. PANG Jiaxiang were appointed as Deputy General Managers of the Company; Mr. ZHANG Jingzhong was also appointed as Company Secretary of the Company; and Mr. WU Junyi was appointed as Chief Financial Officer of the Company.

The appointments above are for a term of three years, commencing on March 1, 2009 and expiring on February 29, 2012.

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on page 33 in the Company's annual report.

DIRECTORS' SERVICE CONTRACTS

Each of the Directors of the Company has entered into a service agreement with the Company, with effect from March 1, 2009, for a term of three years.

Save as disclosed above, none of the Directors and Supervisors has entered into any service contract with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at December 31, 2008 or during the year, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

At no time during the year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director, Supervisor and chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable any such persons to acquire such rights in any other body corporate.

SHARE CAPITAL

There were no movements in the Company's issued share capital during the year.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's Articles of Association or the laws of the PRC which would require the Company to offer new shares on a pro rata basis to existing shareholders.

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong will retire and a resolution for their reappointment as international auditors of the Company will be proposed at the forthcoming annual general meeting.

ON BEHALF OF THE BOARD
CHEN Jisong
Chairman

Hangzhou, Zhejiang Province, the PRC
March 17, 2009

Report of the Supervisory Committee

During the financial year 2008 (the "Period"), the Supervisory Committee duly performed its supervisory duties, and safeguarded the legitimate interests of the shareholders and the Company in accordance with relevant rules and regulations under the Company Law of the PRC, the Company's Articles of Association and the Rules of the Supervisory Committee. Main tasks undertaken by the Supervisory Committee during the Period were to assess and supervise lawfulness, legality and appropriateness of the activities of the Directors, General Manager and other senior management of the Company in their business decision-making and daily management processes, through a combination of activities including holding meetings of the Supervisory Committee and attending meetings of shareholders and meetings of the Board. The Supervisory Committee has carefully examined the operating results and the financial standing of the Company, and discussed and reviewed the financial statements to be submitted by the Board to the general meeting.

The Supervisory Committee concluded that during the Period, the Directors, General Manager and other senior management of the Company had taken every feasible steps to counter the challenges brought by, among others, a slowdown in the rate of macro economic growth and traffic volume diversions with respect to the core expressway business; attracting more traffic flow through improvement in services; exerted strict cost control measures in trying to minimize the impact of declining revenue to the profits. As to the expressway ancillary business, aside from expanding the existing service areas and introducing locally-available special food, beverage and products in these service areas, the Company had also further expanded its scope of concession in service area operations, achieving new development. With regards to the securities business, the Company had actively expanded its market share in economically developed cities, thereby increasing the business' competiveness and value, realizing a decent profit amid a domestic market that had fallen dramatically during the Period.

The Supervisory Committee has reviewed the financial statements of the Company for 2008 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2008, and complied with the relevant laws, regulations and the Company's Articles of Association. In 2008, the Company maintained a high dividend payment despite the fall in its profits, providing satisfactory return in cash to the shareholders.

During the Period, the members of the Board, General Manager and other senior management of the Company have complied with their fiduciary duties and worked in good faith and diligence while carrying out their responsibilities. There was no incident of abuse of power or infringement of the interests of shareholders or employees.

The Supervisory Committee is satisfied with the various results obtained by the Board and the management of the Company.

By the order of the Supervisory Committee
MA Kehua
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 16, 2009

Independent Auditor's Report

Deloitte.
德勤

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 46 to 111, which comprise the consolidated balance sheet as at December 31, 2008, and the consolidated income statement, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the consolidated financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

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

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 17, 2009

Consolidated Income Statement

For the year ended December 31, 2008

	NOTES	2008 Rmb'000	2007 Rmb'000 (Restated)
Revenue	8	**6,323,470**	7,030,380
Operating costs		**(3,133,244)**	(3,089,133)
Gross profit		**3,190,226**	3,941,247
Securities investment (losses) gains	9	**(316,213)**	475,828
Other income	8	**211,420**	134,607
Administrative expenses		**(70,003)**	(81,089)
Other expenses		**(38,947)**	(93,259)
Finance costs	10	**(76,809)**	(60,552)
Share of profit (loss) of associates		**10,659**	(4,655)
Share of profit of a jointly controlled entity		**23,746**	20,406
Profit before tax	11	**2,934,079**	4,332,533
Income tax expense	12	**(668,928)**	(1,191,638)
Profit for the year		**2,265,151**	3,140,895
Attributable to:			
Equity holders of the Company		**1,892,787**	2,415,965
Minority interests		**372,364**	724,930
		2,265,151	3,140,895
Dividends recognised as distribution during the year:			
Interim dividend of Rmb7 cents (2007: Rmb7 cents) per share		**304,018**	304,018
Final dividend of Rmb24 cents (2007: Rmb20 cents) per share		**1,042,347**	868,623
		1,346,365	1,172,641
Proposed final dividend of Rmb24 cents (2007: Rmb24 cents) per share	15	**1,042,347**	1,042,347
EARNINGS PER SHARE - Basic	16	**Rmb43.58 cents**	Rmb55.63 cents

Consolidated Balance Sheet

At December 31, 2008

	NOTES	2008 Rmb'000	2007 Rmb'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	17	**1,031,248**	906,877
Prepaid lease payments	18	**47,654**	59,227
Expressway operating rights	19	**12,923,977**	13,522,752
Goodwill	20	**86,867**	86,867
Other intangible assets	21	**158,065**	162,226
Interests in associates	23	**464,262**	495,103
Interest in a jointly controlled entity	24	**124,251**	100,505
Available-for-sale investments	25	**1,000**	1,000
		14,837,324	15,334,557
CURRENT ASSETS			
Inventories		**16,303**	14,558
Trade receivables	26	**75,999**	82,677
Other receivables	27	**177,170**	587,362
Prepaid lease payments	18	**1,265**	1,500
Available-for-sale investments	25	**28,001**	595,758
Held-for-trading investments	28	**247,587**	621,220
Structured deposit	29	**204,667**	—
Bank balances held on behalf of customers	30	**5,643,192**	7,239,389
Bank balances and cash			
- Restricted bank balances	31	**35,000**	35,000
- Time deposits with original maturity over three months	31	**284,068**	226,972
- Cash and cash equivalents	31	**3,736,945**	2,773,811
		10,450,197	12,178,247
CURRENT LIABILITIES			
Accounts payable to customers arising from securities dealing business	32	**5,607,473**	7,211,261
Trade payables	33	**415,096**	736,890
Tax liabilities		**447,884**	994,727
Other taxes payable		**32,760**	37,888
Other payables and accruals	34	**537,762**	556,320
Dividends payable		**33,388**	33,385
Interest-bearing bank and other loans	35	**380,897**	288,045
Provisions	36	**33,864**	164,024
		7,489,124	10,022,540
NET CURRENT ASSETS		**2,961,073**	2,155,707
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,798,397**	17,490,264

Consolidated Balance Sheet

At December 31, 2008

	NOTES	2008 Rmb'000	2007 Rmb'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	35	**228,867**	333,945
Long-term bonds	37	**1,000,000**	1,000,000
Deferred tax liabilities	38	**272,262**	392,005
		1,501,129	1,725,950
		16,297,268	15,764,314
CAPITAL AND RESERVES			
Share capital	39	**4,343,115**	4,343,115
Reserves		**9,339,935**	8,883,238
Equity attributable to equity holders of the Company		**13,683,050**	13,226,353
Minority interests		**2,614,218**	2,537,961
		16,297,268	15,764,314

The consolidated financial statements on pages 46 to 111 were approved and authorised for issue by the Board of Directors on March 17, 2009 and are signed on its behalf by:

CHEN Jisong	**ZHAN Xiaozhang**
DIRECTOR	DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended December 31, 2008

	Attributable to equity holders of the Company								
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserves (i) Rmb'000	Investment revaluation reserve Rmb'000	Dividend reserve Rmb'000	Retained profits Rmb'000	Total Rmb'000	Minority interests Rmb'000	Total Rmb'000
At January 1, 2007	4,343,115	3,645,726	1,656,442	—	868,623	1,379,398	11,893,304	1,459,148	13,352,452
Gain on fair value changes of available-for-sale investments	—	—	—	119,633	—	—	119,633	110,976	230,609
Effect on deferred tax arising from fair value changes of available-for-sale investments	—	—	—	(29,908)	—	—	(29,908)	(27,744)	(57,652)
Net income recognised directly in equity	—	—	—	89,725	—	—	89,725	83,232	172,957
Profit for the year	—	—	—	—	—	2,415,965	2,415,965	724,930	3,140,895
Total recognised income for the year	—	—	—	89,725	—	2,415,965	2,505,690	808,162	3,313,852
Capital contribution	—	—	—	—	—	—	—	314,987	314,987
Dividend paid to minority interests	—	—	—	—	—	—	—	(44,563)	(44,563)
Interim dividend	—	—	—	—	—	(304,018)	(304,018)	—	(304,018)
Final dividend	—	—	—	—	(868,623)	—	(868,623)	—	(868,623)
Proposed final dividend	—	—	—	—	1,042,347	(1,042,347)	—	—	—
Transfer to reserves	—	—	337,992	—	—	(337,992)	—	—	—
Transfer to retained profits (ii)	—	—	(201,610)	—	—	201,610	—	—	—
Disposal of a disposal group classified as held for resale	—	—	—	—	—	—	—	227	227
At December 31, 2007	4,343,115	3,645,726	1,792,824	89,725	1,042,347	2,312,616	13,226,353	2,537,961	15,764,314

Consolidated Statement of Changes in Equity

For the year ended December 31, 2008

	Attributable to equity holders of the Company								
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserves (i) Rmb'000	Investment revaluation reserve Rmb'000	Dividend reserve Rmb'000	Retained profits Rmb'000	Total Rmb'000	Minority interests Rmb'000	Total Rmb'000
Loss on fair value changes of available-for-sale investments	—	—	—	(179,017)	—	—	(179,017)	(166,064)	(345,081)
Effect of deferred tax arising from fair value changes of available-for-sale investments	—	—	—	44,754	—	—	44,754	41,516	86,270
Net income recognised directly in equity	—	—	—	(134,263)	—	—	(134,263)	(124,548)	(258,811)
Transfer to consolidated income statement on sale of available-for-sale investments	—	—	—	46,523	—	—	46,523	43,157	89,680
Effect of deferred tax arising from loss on sales of available-for-sale investments	—	—	—	(11,631)	—	—	(11,631)	(10,789)	(22,420)
Impairment loss on available-for-sale investments transferred to consolidated income statement	—	—	—	12,861	—	—	12,861	11,931	24,792
Effect of deferred tax arising from impairment on available-for-sale investments	—	—	—	(3,215)	—	—	(3,215)	(2,983)	(6,198)
Profit for the year	—	—	—	—	—	1,892,787	1,892,787	372,364	2,265,151
Total recognised income and expense for the year	—	—	—	(89,725)	—	1,892,787	1,803,062	289,132	2,092,194
Dividend paid to minority interests	—	—	—	—	—	—	—	(212,875)	(212,875)
Interim dividend	—	—	—	—	—	(304,018)	(304,018)	—	(304,018)
Final dividend	—	—	—	—	(1,042,347)	—	(1,042,347)	—	(1,042,347)
Proposed final dividend	—	—	—	—	1,129,210	(1,129,210)	—	—	—
Transfer to reserves	—	—	323,705	—	—	(323,705)	—	—	—
At December 31, 2008	**4,343,115**	**3,645,726**	**2,116,529**	**—**	**1,129,210**	**2,448,470**	**13,683,050**	**2,614,218**	**16,297,268**

Notes:

(i) Statutory reserves comprise:

(a) Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China (the "PRC") and the respective articles of association of the Entities (as defined below), the Company and its subsidiaries (collectively the "Entities") are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective Entities. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Entities, part of the statutory surplus reserve may be converted to increase the respective Entities' capital.

(b) General risk reserve

In accordance with the Finance Regulation for Financial Enterprises, securities companies are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general risk reserve. This general risk reserve may be used to cover potential losses on risk exposures.

(c) Transaction risk reserve

In accordance with the Securities Law of the PRC, securities companies are required to allocate not less than 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the transaction risk reserve. This transaction risk reserve may be used to cover potential losses on securities transactions.

(ii) This transfer resulted from the adoption of the new PRC Accounting Standards (effective from January 1, 2007) by the Entities in the preparation of their statutory financial statements for the year ended December 31, 2007. Certain retrospective adjustments were required to be made upon the first-time adoption of these new PRC Accounting Standards. The allocations to the statutory surplus reserve in prior years had been adjusted accordingly.

Consolidated Cash Flow Statement

For the year ended December 31, 2008

	2008 Rmb'000	2007 Rmb'000 (Restated)
Profit before tax	2,934,079	4,332,533
Adjustments for:		
Finance costs	76,809	60,552
Interest income	(59,782)	(20,997)
Net exchange gain	(40,143)	(40,302)
Share of (profit) loss of associates	(10,659)	4,655
Share of profit of a jointly controlled entity	(23,746)	(20,406)
Depreciation of property, plant and equipment	112,140	104,671
Amortisation of expressway operating rights	659,027	577,059
Amortisation of prepaid lease payments	1,503	1,787
Amortisation of other intangible assets	9,424	7,289
Impairments loss on available-for-sale investments	24,792	—
Loss on disposal of available-for-sale investments	89,680	—
Loss (gain) on fair value changes on held-for-trading investments	201,741	(475,828)
Loss on disposal of property, plant and equipment	6,076	3,937
Gain on disposal of an associate	(8,375)	—
Net provision for the year	(130,160)	129,224
Profit on disposal of a disposal group classified as held for sale	—	(1,491)
Write-down of goodwill	—	5,956
Operating cash flows before movements in working capital	3,842,406	4,668,639
Increase in inventories	(1,745)	(2,303)
Decrease (Increase) in trade receivables	6,678	(27,431)
Increase in other receivables	(38,529)	(36,848)
Decrease (Increase) in available-for-sale investments	222,676	(365,149)
Decrease in held-for-trading investments	171,892	90,040
Decrease (Increase) in bank balances held on behalf of customers	1,596,197	(4,051,377)
(Decrease) Increase in accounts payable to customers arising from securities dealing business	(1,603,788)	4,063,508
(Decrease) Increase in trade payables	(126,413)	97,011
(Decrease) Increase in other taxes payable	(5,128)	17,133
(Decrease) Increase in other payables and accruals	(6,095)	143,984
Decrease in amount due to a jointly-controlled entity	—	(5,841)
Cash generated from operations	4,058,151	4,591,366
Income taxes paid	(1,277,862)	(861,349)
Interest paid	(81,110)	(104,338)
NET CASH FROM OPERATING ACTIVITIES	2,699,179	3,625,679

Consolidated Cash Flow Statement

For the year ended December 31, 2008

	NOTES	2008 Rmb'000	2007 Rmb'000 (Restated)
INVESTING ACTIVITIES			
Interest received		**55,115**	20,997
Dividends received from an associate		**6,500**	6,500
Proceeds on disposal of property, plant and equipment		**2,167**	7,329
Proceeds on disposal of an associate		**43,375**	—
Repayment from (loan to) a related party		**370,000**	(370,000)
Repayment from an associate		**100,000**	—
Loan to an associate		**(100,000)**	—
Purchases of property, plant and equipment		**(217,118)**	(83,118)
Prepaid lease payments for land use rights		**—**	(22,541)
Addition in expressway operating rights		**(275,459)**	(402,986)
Purchases of intangible assets		**(5,263)**	(4,180)
Investment in structured deposit		**(200,000)**	—
Increase in time deposits		**(57,096)**	(95,660)
Proceeds on disposal of a disposal group classified as held for resale		**—**	1,150
Acquisition of a subsidiary		**—**	(52,213)
Investment in an associate		**—**	(281,400)
Dividends received from a jointly controlled entity		**—**	13,724
NET CASH USED IN INVESTING ACTIVITIES		**(277,779)**	(1,262,398)
FINANCING ACTIVITIES			
Dividends paid		**(1,343,223)**	(1,170,803)
Dividends paid to minority interests		**(139,818)**	(52,773)
New bank and other loans raised		**700,893**	820,000
Repayment of bank and other loans		**(674,208)**	(1,003,207)
Capital contribution from minority interests		**—**	314,987
NET CASH USED IN FINANCING ACTIVITIES		**(1,456,356)**	(1,091,796)
NET INCREASE IN CASH AND CASH EQUIVALENTS		**965,044**	1,271,485
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		**2,773,811**	1,504,073
EFFECT OF FOREIGN EXCHANGE RATE CHANGES		**(1,910)**	(1,747)
CASH AND CASH EQUIVALENTS AT END OF YEAR	31	**3,736,945**	2,773,811

Notes to the Consolidated Financial Statements

For the year ended December 31, 2008

1. CORPORATE INFORMATION

Zhejiang Expressway Co. Ltd. (the "Company") was established in the People's Republic of China (the "PRC") with limited liability on March 1, 1997. The H shares of the Company ("H Shares") were subsequently listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 15, 1997.

All of the H Shares of the Company were admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). Dealings in the H Shares on the London Stock Exchange commenced on May 5, 2000.

On July 18, 2000, with the approval of the Ministry of Foreign Trade and Economic Co-operation of the PRC, the Company changed its business registration into a Sino-foreign joint stock limited company.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the American Depositary Shares ("ADSs") evidenced by the American Depositary Receipts ("ADRs") representing the deposited H Shares of the Company effective.

In the opinion of the directors, the immediate and ultimate holding company of the Company is Zhejiang Communications Investment Group Co., Ltd. (the "Communications Investment Group"), a state-owned enterprise established in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("Rmb"), which is also the functional currency of the Company.

The Company is an investment holding company. The Group is involved in the following principal activities:

(a) the operation, maintenance and management of high grade roads;

(b) the development and provision of certain ancillary services such as advertising, automobile servicing and fuel facilities; and

(c) the provision of securities broking services and proprietary trading.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS")

In the current year, the Group has applied the following amendments and interpretations ("new HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") which are or have become effective.

HKAS 39 & HKFRS 7 (Amendments)	Reclassification of Financial Assets
HK(IFRIC)-Int 11	HKFRS 2: Group and Treasury Share Transactions
HK(IFRIC)-Int 12	Service Concession Arrangements
HK(IFRIC)-Int 14	HKAS 19 - The Limit on a Defined Benefit Assets, Minimum Funding Requirements and their Interaction

Except for the adoption of the HK(IFRIC) Int 12 *Service Concession Arrangements*, which has resulted in changes to the Group's accounting policies as detailed below, the adoption of the other new HKFRSs had no material effect on how the results and financial position for the current or prior accounting periods have been prepared and presented.

In the current year, the Group has applied the HK(IFRC)- Int 12 *Service Concession Arrangements*.

The Group had entered into contractual service arrangements with local government authorities (the "grantors") of the PRC to acquire toll expressway infrastructures and expressway operating rights and to participate in the redevelopment, expansion, investment, operation, management and maintenance of toll expressways and their toll station facilities on behalf of the grantors in accordance with the terms specified in the service concession arrangement contracts. The Group received in exchange a right to propose and collect the toll fees from vehicles using the toll expressways and other fees relating to the expressways and their toll station facilities. After the acquisition of the underlying toll expressway infrastructures and the related expressway operating rights, under the arrangements, the Group incurred additional costs on the toll expressways, for expressway widening projects and upgrade services carried out by independent qualified contractors in the PRC based on approval from the grantors under open market bid prices.

HK(IFRIC) - Int 12 *Service Concession Arrangements* provides guidance on the accounting by the operator of a service concession arrangement which involves the provision of public sector services.

In prior years, the toll expressway infrastructures and expressway operating rights were measured at cost based on the fair value at the respective dates of acquisitions upon the initial recognition.

The acquisition of toll expressway infrastructures, expressway operating rights and subsequent additional costs incurred on the toll expressways relating to widening projects and upgrade services, which the Group is entitled to the operating rights of the toll expressways for the specified concession period, were recorded as property, plant and equipment and expressway operating rights, respectively, and were stated at cost less accumulated depreciation and any accumulated impairment losses, while the land use rights relating to the expressways was recorded in prepaid lease payments. Depreciation of the toll expressways and amortisation of land use rights were calculated to write off their costs, over their expected useful lives in the remaining concession period on a straight-line basis.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

In accordance with HK(IFRIC)- Int 12, infrastructure and land use rights relating to the expressways within the scope of this interpretation are not recognized as property, plant and equipment and prepaid lease payments of the operator as the service concession arrangement does not convey the right to control the use of the public service infrastructure and the land use rights relating to the expressways to the operator. If the operator provides construction and upgrade services of the infrastructure, this interpretation requires the operator to account for its revenue and costs in accordance with HKAS 11 *Construction Contracts* for the construction and upgrade services of the infrastructure and to account for the fair value of the consideration received and receivable for the construction and upgrade services as an intangible asset in accordance with HKAS 38 *Intangible Assets* to the extent that the operator receives a right (a licence) to charge users of the public service, which amounts are contingent on the extent that the public uses the service. In addition, the operator accounts for the services in relation to the operation of the infrastructure in accordance with HKAS 18 *Revenue*.

In the current year, the Group applied this interpretation retrospectively and the financial impact on the adoption of this interpretation is summarised below.

No construction revenue or profit on construction services has been recognised as the Group's toll expressway infrastructures were acquired from the grantors. Furthermore, the Group has not provided any construction services in relation to subsequent widening projects and upgrade services as the widening projects and upgrade services of toll expressways are carried out by independent qualified contractors in the PRC based on the approval from the grantors. The payment made by the Group for the expressways widening projects and upgrade services is considered as additional costs of the expressway operating rights and, accordingly, such additional costs are also reclassified as the intangible assets under the service concession arrangements retrospectively.

Prepaid lease payments and toll expressway infrastructures in conjunction with the service concession arrangements which the Group has no discretion or latitude to deploy for other services other than arising in the service concession arrangements are also reclassified as intangible assets acquired under the service concession arrangements retrospectively. They were previously separately presented and amortised on a straight-line basis over the respective service concession period.

SUMMARY OF THE EFFECTS OF THE CHANGES IN ACCOUNTING POLICIES

The effect of changes in accounting policies resulted from the adoption of HK(IFRIC)-Int 12 for the current and prior year by line items are as follows:

	2008 **Rmb'000**	2007 Rmb'000
Decrease in depreciation of property, plant and equipment	**632,608**	550,843
Decrease in amortisation of prepaid lease payments	**17,719**	17,516
Increase in amortisation of expressway operating rights	**(650,327)**	(568,359)
Profit for the year	**—**	—

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

The effect of the application of the new interpretation as at December 31, 2007 is summarised below:

	As at 31/12/2007 (Originally stated) Rmb'000	Adjustments Rmb'000	As at 31/12/2007 (Restated) Rmb'000
Balance sheet items			
Non-current assets			
Property, plant and equipment	13,906,689	(12,999,812)	906,877
Prepaid lease payments	393,424	(334,197)	59,227
Expressway operating rights	171,145	13,351,607	13,522,752
	14,471,258	17,598	14,488,856
Current assets			
Prepaid lease payment	19,098	(17,598)	1,500
Total effects on assets	14,490,356	—	14,490,356
Retained profits	2,312,616	—	2,312,616

	As at 1/1/2007 (Originally stated) Rmb'000	Adjustments Rmb'000	As at 1/1/2007 (Restated) Rmb'000
Balance sheet items			
Non-current assets			
Property, plant and equipment	13,775,621	(12,878,824)	896,797
Prepaid lease payments	390,658	(351,795)	38,863
Expressway operating rights	179,845	13,248,135	13,427,980
	14,346,124	17,516	14,363,640
Current assets			
Prepaid lease payment	18,626	(17,516)	1,110
Total effects on assets	14,364,750	—	14,364,750
Retained profits	1,379,398	—	1,379,398

The service concession arrangements operated by the Group's associates and a jointly controlled entity are of similar arrangements of those operated by the Group. Accordingly, the adoption of HK(IFRIC) Int 12 *Service Concession Arrangements* has no material effect on its associates and a jointly controlled entity and accordingly, no adjustment on the Group's share of result of associates and a jointly controlled entity and Group's share of net assets of the associates and jointly controlled entity has been required.

2. APPLICATION OF NEW AND REVISED HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSS") (continued)

The reclassification of the toll expressways and land use rights of the Group, its associates and a jointly controlled entity has no impact on the profit for the current and prior year and the retained profits at January 1, 2007, accordingly, no adjustment on the Group basic earnings per share has been required.

The Group has not early applied the following new and revised standards, amendments or interpretations that have been issued but are not yet effective.

HKFRSs (Amendments)	Improvements to HKFRSs[1]
HKAS 1 (Revised)	Presentation of Financial Statements[2]
HKAS 23 (Revised)	Borrowing Costs[2]
HKAS 27 (Revised)	Consolidated and Separate Financial Statements[3]
HKAS 32 & 1 (Amendments)	Puttable Financial Instruments and Obligations Arising on Liquidation[2]
HKAS 39 (Amendment)	Eligible Hedged Items[3]
HKFRS 1 & HKAS 27 (Amendments)	Cost of an Investment in a subsidiary, Jointly Controlled Entity or Associate[2]
HKFRS 2 (Amendment)	Vesting Conditions and Cancellations[2]
HKFRS 3 (Revised)	Business Combinations[3]
HKFRS 7 (Amendments)	Improving Disclosures about Financial Instruments[2]
HKFRS 8	Operating Segments[2]
HK(IFRIC)-Int 13	Customer Loyalty Programmes[4]
HK(IFRIC)-Int 15	Agreements for the Construction of Real Estate [2]
HK(IFRIC)-Int 16	Hedges of a Net Investment in a Foreign Operation [5]
HK(IFRIC)-Int 17	Distribution of Non-cash Assets to Owners[3]
HK(IFRIC)-Int 18	Transfer of Assets from Customers[6]

1 Effective for annual periods beginning on or after January 1, 2009 except for the amendments to HKFRS 5, effective for annual periods beginning on or after 1 July 2009

2 Effective for annual periods beginning on or after January 1, 2009

3 Effective for annual periods beginning on or after July 1, 2009

4 Effective for annual periods beginning on or after July 1, 2008

5 Effective for annual periods beginning on or after October 1, 2008

6 Effective for transfers on or after July 1, 2009

The application of HKFRS 3 (Revised) may affect the Group's accounting for business combination for which the acquisition date is on or after January 1, 2010. HKAS 27 (Revised) will affect the accounting treatment for changes in the Group's ownership interest in a subsidiary. The Directors anticipate that the application of the other new and revised standards, amendments or interpretations will have no material impact on the results and the financial position of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as explained in the accounting policies set out below.

The consolidated financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards issued by the HKICPA. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

BASIS OF CONSOLIDATION

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the consolidated income statement from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Minority interests in the net assets of consolidated subsidiaries are presented separately from the Group's equity therein. Minority interests in the net assets consist of the amount of those interests at the date of the original business combination and the minority's share of changes in equity since the date of the combination. Losses applicable to the minority in excess of the minority's interest in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses.

BUSINESS COMBINATIONS

The acquisition of businesses is accounted for using the purchase method. The cost of the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, and liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree, plus any costs directly attributable to the business combination. The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under HKFRS 3 *Business Combinations* are recognised at their fair values at the acquisition date.

Goodwill arising on acquisition is recognised as an asset and initially measured at cost, being the excess of the cost of the business combination over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities recognised. If, after reassessment, the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities exceeds the cost of the business combination, the excess is recognised immediately in profit or loss.

The interest of minority shareholders in the acquiree is initially measured at the minority's proportion of the net fair value of the assets, liabilities and contingent liabilities recognised.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

ACQUISITION OF ADDITIONAL INTEREST IN A SUBSIDIARY

Goodwill is calculated as the difference between the consideration paid for the additional interest and the book value of the net assets of the subsidiary attributable to the additional interest acquired.

GOODWILL

Goodwill arising on acquisitions prior to January 1, 2005

Goodwill arising on an acquisition of net assets and operations of another entity for which the agreement date is before January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets and liabilities of the relevant subsidiary at the date of acquisition. For previously capitalised goodwill arising on acquisitions of net assets and operations of another entity or a jointly controlled entity after 1 January 2001, the Group has discontinued amortisation from 1 January 2005 onwards, and such goodwill is tested for impairment annually, and whenever there is an indication that the cash-generating unit to which the goodwill relates may be impaired (see the accounting policy below).

Goodwill arising on acquisitions on or after January 1, 2005

Goodwill arising on an acquisition of a business for which the agreement date is on or after January 1, 2005 represents the excess of the cost of acquisition over the Group's interest in the fair value of the identifiable assets, liabilities and contingent liabilities of the relevant business at the date of acquisition. Such goodwill is carried at cost less any accumulated impairment losses.

Capitalised goodwill arising on an acquisition of a business is presented separately in the consolidated balance sheet.

If the potential benefit of the acquiree's income tax loss carry-forwards or other deferred tax assets did not satisfy the criteria for separate recognition when a business combination is initially accounted for but is subsequently realised, the Group recognises the benefit as income and (a) reduces the carrying amount of goodwill to the amount that would have been recognised if the deferred tax assets had been recognised as an identifiable asset from the acquisition date; and (b) recognises the reduction in the carrying amount of the goodwill as an expense. However, this procedure shall not result in the creation of an excess of the Group's interest in the net fair value of the acquired identifiable assets, liabilities and contingent liabilities over the cost of the business combination, nor shall it increase the amount of any gain previously recognised in this manner.

For the purposes of impairment testing, goodwill arising from an acquisition is allocated to each of the relevant cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the acquisition. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a financial year, the cash-generating unit to which goodwill has been allocated is tested for impairment before the end of that financial year. When the recoverable amount of the cash-generating unit is less than the carrying amount of the unit, the impairment loss is allocated to reduce the carrying amount of any goodwill allocated to the unit first, and then to the other assets of the unit pro rata on the basis of the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in the consolidated income statement. An impairment loss for goodwill is not reversed in subsequent periods.

On subsequent disposal of the relevant cash generating unit, the attributable amount of goodwill capitalised is included in the determination of the amount of profit or loss on disposal.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INVESTMENTS IN ASSOCIATES

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting, except when the investment is classified as held for sale in which case it is accounted for under HKFRS 5 *Non-current Assets, Held for Sale and Discontinued Operation*. Under the equity method, investments in associates are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any identified impairment loss. When the Group's share of losses of an associate equals or exceeds its interest in that associate, the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that associate.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

When an investment in an associate previously classified as held for sale no longer meets the criteria to be so classified, such investment is accounted for using equity method as from the date of its classification as held-for-sale. The financial statements for the periods since classification as held for sale is amended accordingly.

INVESTMENTS IN JOINTLY CONTROLLED ENTITIES

Joint venture arrangements that involve the establishment of a separate entity in which venturers have joint control over the economic activity of the entity are referred to as jointly controlled entities.

The results and assets and liabilities of jointly controlled entities are incorporated in the consolidated financial statements using the equity method of accounting. Under the equity method, investments in jointly controlled entities are carried in the consolidated balance sheet at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the jointly controlled entities, less any identified impairment loss. When the Group's share of losses of a jointly controlled entity equals or exceeds its interest in that jointly controlled entity (which includes any long-term interests that, in substance, form part of the Group's net investment in the jointly controlled entity), the Group discontinues recognising its share of further losses. An additional share of losses is provided for and a liability is recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of that jointly controlled entity.

When a group entity transacts with a jointly controlled entity of the Group, profits or losses are eliminated to the extent of the Group's interest in the jointly controlled entity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

NON-CURRENT ASSETS HELD FOR SALE

Non-current assets and disposal groups are classified as held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition.

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the assets'(disposal groups') previous carrying amount and fair value less costs to sell.

REVENUE RECOGNITION

Revenue is measured at the fair value of the consideration received or receivable and represents amounts receivable for goods sold and services provided in the normal course of business, net of discounts and revenue taxes.

Toll income from the operation of tolled roads is recognised when the tolls are received or become receivable.

Sales of goods are recognised when goods are delivered and title has passed.

Service income is recognised when services are provided.

Commission income from securities broking business is recognised on a trade date basis.

Advisory and handling fee income are recognised when the relevant transactions have been provided or the relevant services have been rendered.

Interest income from a financial asset is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment (other than construction in progress) are stated at cost less subsequent accumulated depreciation and accumulated impairment losses.

Depreciation is provided to write off the cost of items of property, plant and equipment other than construction in progress over their estimated useful lives and after taking into account their estimated residual values, using the straight-line method, at the following rates per annum:

	Estimated useful life	Annual depreciation rate
Leasehold land and buildings	30-50 years	1.9%-3.2%
Ancillary facilities	30 years	3.2%
Communications and signalling equipment	5 years	19.4%
Motor vehicles	5-8 years	12.1%-19.4%
Machinery and equipment	5-8 years	12.1%-19.4%

Construction in progress includes property, plant and equipment in the course of construction and is stated at cost less any impairment losses. Cost comprises the direct costs of construction and capitalised borrowing costs on borrowed funds during the period of construction, installation and testing. Construction in progress is classified to the appropriate category of property, plant and equipment when completed and ready for intended use. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the item) is included in the consolidated income statement in the year in which the item is derecognised.

PREPAID LEASE PAYMENTS

Payment for obtaining land use rights is accounted for as prepaid lease payments and is charged to the consolidated income statement on a straight-line basis over the lease terms.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

INTANGIBLE ASSETS

Intangible assets acquired separately

Intangible assets acquired separately and with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

Gains or losses arising from derecognition of an intangible asset are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in the consolidated income statement when the asset is derecognised.

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill where they satisfy the definition of an intangible asset and their fair values can be measured reliably. The cost of such intangible assets is their fair value at the acquisition date.

Subsequent to initial recognition, intangible assets with finite useful lives are carried at costs less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is provided on a straight-line basis over their estimated useful lives. Alternatively, intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses (see the accounting policy in respect of impairment losses on tangible and intangible assets below).

EXPRESSWAY OPERATING RIGHTS UNDER SERVICE CONCESSION ARRANGEMENTS

When the Group has a right to charge for usage of concession infrastructure, it recognises concession intangible assets based on fair value of the consideration paid upon initial recognition. Subsequent costs incurred on expressway widening projects and upgrading services are recognized as additional costs of the expressway operating rights. The concession intangible assets representing expressway operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses.

The concession intangible assets are amortised to write-off their cost, over their expected useful lives in the remaining concession period using an amortisation period which reflects the pattern in which their future economic benefits are expected to be consumed on a straight-line basis.

Costs in relation to the day-to-day servicing, repair and maintenance of the expressway infrastructures are recognised as expenses in the periods in which they are incurred.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

IMPAIRMENT LOSSES ON TANGIBLE AND INTANGIBLE ASSETS OTHER THAN GOODWILL (SEE THE ACCOUNTING POLICY IN RESPECT OF GOODWILL ABOVE)

At each balance sheet date, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that these assets have suffered an impairment loss. In addition, intangible assets with indefinite useful lives are tested for impairment annually, and whenever there is an indication that they may be impaired. If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised as an expense immediately.

When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income immediately.

INVENTORIES

Inventories, representing merchandise held for resale, are stated at the lower of cost and net realisable value. Cost is calculated using the weighted average method.

LEASING

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Group as lessor

Rental income from operating leases is recognised in the consolidated income statement on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense on a straight-line basis over the lease term.

The Group as lessee

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease. Benefits received and receivable as an incentive to enter into an operating lease are recognised as a reduction of rental expense over the lease term on a straight-line basis. Contingent rents are charged as expenses in the periods in which they are incurred.

Leasehold land and buildings

The land and building elements of a lease of land and buildings are considered separately for the purpose of lease classification, unless the lease payments cannot be allocated reliably between the land and building elements, in which case, the entire lease is generally treated as a finance lease and accounted for as property, plant and equipment. To the extent the allocation of the lease payments can be made reliably, leasehold interests in land are accounted for as operating leases.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FOREIGN CURRENCIES

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recorded in the respective functional currency (i.e. the currency of the primary economic environment in which the entity operates) at the rates of exchanges prevailing on the dates of the transactions. At each balance sheet date, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the balance sheet date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are recognised in profit or loss in the period in which they arise.

BORROWING COSTS

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, are capitalised as part of the cost of those assets. Capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS

Payments to state-managed retirement benefit schemes and corporate annuity scheme are charged as an expense when employees have rendered service entitling them to the contributions.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

TAXATION

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated income statement because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax base used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised. Deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised on the consolidated balance sheet when a group entity becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

The Group's financial assets are classified into loans and receivables, financial assets at fair value through profit or loss ("FVTPL") and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the marketplace. The accounting policies adopted in respect of each category of financial assets are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter period.

Interest Income is recognised on an effective interest basis for debt instruments other than those financial assets designated as at FVTPL, of which interest income is included in net gains or losses.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. At each balance sheet date subsequent to initial recognition, loans and receivables (including trade receivables, other receivables and bank balances) are carried at amortised cost using the effective interest method, less any identified impairment losses (see accounting policy on impairment losses on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS

Financial assets at fair value through profit or loss

A financial asset is classified as held-for-trading if:

- it has been acquired principally for the purpose of selling in the near future; or
- it is a part of an identified portfolio of financial instruments that the Group manages together and has a recent actual pattern of short-term profit taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

At each balance sheet date subsequent to initial recognition, financial assets at FVTPL are measured at fair value, with changes in fair value recognised directly in profit or loss in the period in which they arise. The net gain or loss in profit or loss includes any dividend or interest earned on the financial assets.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated or not classified as any of the categories of financial assets set out above.

At each balance sheet date subsequent to initial recognition, available-for-sale financial assets are measured at fair value. Changes in fair value are recognised in equity, until the financial asset is disposed of or is determined to be impaired, at which time, the cumulative gain or loss previously recognised in equity is removed from equity and recognised in profit or loss (see accounting policy on impairment loss on financial assets below).

Available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at each balance sheet date subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Impairment of financial assets

Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each balance sheet date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the financial assets have been impacted.

For an available-for sale equity investment, a significant or prolonged decline in the fair value of that investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For financial assets carried at amortised cost, an impairment loss is recognised in profit or loss when there is objective evidence that the asset is impaired, and is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the original effective interest rate.

For financial assets carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables and other receivables, where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss. When a trade receivable or other receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited to profit or loss.

For financial assets measured at amortised cost, if, in a subsequent period, the amount of impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment losses was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent that the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

Impairment losses on available-for-sale equity investments will not be reversed in profit or loss in subsequent periods. Any increase in fair value subsequent to impairment loss is recognised directly in equity. For available-for-sale debt investments, impairment losses are subsequently reversed if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Financial liabilities and equity

Financial liabilities and equity instruments issued by a group entity are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. The accounting policies adopted in respect of financial liabilities and equity instruments are set out below.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Interest expense is recognised on an effective interest basis.

Financial liabilities

Financial liabilities including trade payables, accounts payable to customers, other payables, ultimate holding company, dividend payable, interest-bearing bank and other loans, and long-term bonds are subsequently measured at amortised cost, using the effective interest method.

Equity instruments

Equity instruments issued by the Company are recorded at the proceeds received, net of direct issue costs.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. A financial guarantee contract issued by the Group and not designated as at fair value through profit or loss is recognised initially at its fair value less transaction costs that are directly attributable to the issue of the financial guarantee contract. Subsequent to initial recognition, the Group measures the financial guarantee contact at the higher of: (i) the amount determined in accordance with HKAS 37 *Provisions, Contingent Liabilities and Contingent Assets*; and (ii) the amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with HKAS 18 *Revenue*.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

FINANCIAL INSTRUMENTS (continued)

Derecognition

Financial assets are derecognised when the rights to receive cash flows from the assets expire or, the financial assets are transferred and the Group has transferred substantially all the risks and rewards of ownership of the financial assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that have been recognized directly in equity is recognised in profit or loss.

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

PROVISIONS

Provisions are recognised when the Group has a present obligation as a result of a past event, and it is probable that the Group will be required to settle that obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the obligation at the balance sheet date, and are discounted to present value where the effect is material.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

The followings are the key assumptions concerning the future, and key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

ESTIMATED IMPAIRMENT OF INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

Determining whether intangible assets with indefinite useful lives are impaired requires an estimation of the value in use of themselves or the cash-generating unit to which they belong. The value in use calculation requires the Group to estimate the future cash flows expected to arise from themselves or the cash-generating unit to which they belong and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, a material impairment loss may arise. As at December 31, 2008, the carrying amounts of intangible assets with indefinite useful lives were Rmb66,563,000 (2007: Rmb66,563,000). Details of the recoverable amount calculation are disclosed in Note 22.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

PROVISION AGAINST LITIGATION AND GUARANTEES

Measuring the provision against litigation and guarantees requires an estimation of the expenditure required to settle the obligation arising from the litigation and guarantees. The settlement amount depends on such factors as the totality of facts, interpretation and application of laws and regulation, and court rulings. Where the court rules differently than the Group has expected, the ultimate settlement amount may be materially different from the provision that has been made and affect the Group's profit and loss in future periods. During the year, the Group has made provision against litigation and guarantee of Rmb33,864,000 (2007: Rmb129,224,000) and written back of provision of Rmb164,024,000 (2007: Nil). Details of the provision are disclosed in Note 36.

5. FINANCIAL INSTRUMENTS

(A) CATEGORIES OF FINANCIAL INSTRUMENTS

	2008 Rmb'000	2007 Rmb'000
Financial assets		
Available-for-sale investments	**29,001**	596,758
Fair value through profit or loss Held-for-trading	**247,587**	621,220
Loans and receivables (including cash and cash equivalents)	**10,094,912**	10,895,690
Financial liabilities		
Amortised cost	**8,050,884**	10,062,673
Financial guarantee contracts	**—**	52,610

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's major financial instruments include available-for-sale investments, held-for-trading investments, trade and other receivables, bank balances, bank balances held on behalf of customers, trade and other payables, amount due to ultimate holding company, dividend payable, interest-bearing bank and other loans, and long-term bonds. Details of these financial instruments are disclosed in respective notes. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

5. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to fixed-rate structured deposit and time deposits and long-term bonds (see Notes 29, 31 and 37 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and other loans (see Notes 31 and 35 for details).

The Group currently does not have an interest rate risk hedging policy as the management consider the Group is not exposed to significant interest rate risk. The management will continue to monitor interest rate risk exposure and consider hedging against it should the need arises.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances and other loans, at the balance sheet date. In the opinion of the directors, the variable-rate bank balances are not interest sensitive to the market risk and the exposure to interest rates of other loans are insignificant for the year ended 31 December 2008. Accordingly, no such sensitivity analysis is presented.

For variable-rate bank balances and other loans for the year ended 31 December 2007, the analysis was prepared assuming the balances outstanding at the balance sheet date were outstanding for the whole year. A 50 basis point increase or decrease was used when reporting interest rate risk internally to key management personnel.

If interest rates had been 50 basis points higher/lower and all other variables were held constant, the Group's profit for the year ended December 31, 2007 would increase/decrease by Rmb31,528,000. This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances.

5. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(ii) Currency risk

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the reporting date are as follows:

	Liabilities		Assets	
	2008	2007	**2008**	2007
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000
HKD	**8,734**	10,331	**12,518**	13,655
USD	**519,409**	635,475	**64,713**	92,392

The Group currently does not have a currency risk hedging policy as the management considers that the risk is not significant. The management will continue to monitor foreign currency risk exposure and consider hedging against it should the need arises.

Sensitivity analysis

This sensitivity analysis details the Group's sensitivity to a 5% increase and decrease in Rmb against HKD and USD. 5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rates. If Rmb had strengthened/weakened 5% against HKD, the Group's profit for the year ended December 31, 2008 would have increased/decreased by Rmb142,000 (2007: Rmb111,000). If Rmb had strengthened/weakened 5% against USD, the Group's profit for the year ended December 31, 2008 would have increased/decreased by Rmb17,051,000 (2007: Rmb18,193,000).

5. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Market risk (continued)

(iii) Price risk

The Group is exposed to security price risk in relation its held-for-trading and available-for-sale listed investments.

The Group currently does not have a price risk hedging policy as the management consider the Group is not exposed to significant price risk. The management will continue to monitor price risk exposure and consider hedging against it should the need arises.

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% higher/lower,

- profit for the year ended December 31, 2008 increase/decrease by Rmb9,285,000 (2007: increase/decrease by Rmb20,811,000) as a result of the changes in fair value of held-for-trading investments; and
- investment valuation reserve would increase by Rmb1,050,000 and profit for the year ended December 31, 2008 would decrease by Rmb1,050,000 (2007: investment valuation reserve would increase/decrease by Rmb19,958,000) for the Group as a result of the changes in fair value of available-for-sale listed investments.

Credit risk

As at December 31, 2008, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties arising from the carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet, including a structured deposit as disclosed in Note 29.

In order to minimise the credit risk, the management of the Group has delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date to ensure that adequate impairment losses are made for irrecoverable amounts. In this regard, the directors of the Company consider that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit-rating agencies.

Other than the concentration of credit risk on certain trade receivable, deposits and other debtors, corporate bonds and structured deposit amounting to Rmb71,640,000 (2007: Rmb69,453,000), Rmb58,046,000 (2007: Rmb131,100,000), Rmb238,977,000 (2007: Rmb79,969,000) and Rmb204,667,000 (2007: nil) as disclosed in notes 26, 27, 28 and 29 respectively, the Group does not have any other significant concentration of credit risk. The Group's concentration of credit risk by geographical locations is mainly in the PRC.

5. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity risk

Most of the bank balances and cash at December 31, 2008 were denominated in RMB which is not a freely convertible currency in the international market. The exchange rate of RMB is determined by the PRC government and the remittance of these RMB funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

The following table details the Group's remaining contractual maturity for its financial liabilities. For non-derivative financial liabilities, the table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

5. FINANCIAL INSTRUMENTS (continued)

(B) FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

Liquidity and interest risk tables

	Weighted average effective interest rate	Less than 3 months	3 months – 1 year	1 – 3 years	3 – 5 years	+5 years	Total undiscounted cash flows	Carrying amount at 31/12/2008
	%	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2008								
Non-derivative financial liabilities								
Trade payables	—	216,913	169,772	27,114	1,297	—	415,096	415,096
Accounts payable to customers arising								
from securities dealing business	—	5,607,473	—	—	—	—	5,607,473	5,607,473
Other payables	—	415,952	2,599	—	—	—	418,551	418,551
Bank and other loans								
- variable rate	2.30	198,761	196,156	184,410	60,626	—	639,953	609,764
Long-term bonds	4.29	42,900	—	85,800	1,085,800	—	1,214,500	1,000,000
		6,481,999	368,527	297,324	1,147,723	—	8,295,573	8,050,884

	Weighted average effective interest rate	Less than 3 months	3 months – 1 year	1 – 3 years	3 – 5 years	+5 years	Total undiscounted cash flows	Carrying amount at 31/12/2007
	%	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000	Rmb'000
2007								
Non-derivative financial liabilities								
Trade payables	—	500,371	200,735	25,244	9,867	673	736,890	736,890
Accounts payable to customers arising								
from securities dealing business	—	7,211,261	—	—	—	—	7,211,261	7,211,261
Other payables	—	489,933	2,599	—	—	—	492,532	492,532
Financial guarantee contracts	—	—	52,610	—	—	—	52,610	52,610
Bank and other loans								
- fixed rate	6.57	21,314	—	—	—	—	21,314	20,000
- variable rate	5.10	155,114	137,949	198,593	179,921	—	671,577	601,990
Long-term bonds	4.29	42,900	—	85,800	85,800	1,042,900	1,257,400	1,000,000
		8,420,893	393,893	309,637	275,588	1,043,573	10,443,584	10,115,283

5. FINANCIAL INSTRUMENTS (continued)

(C) FAIR VALUE

The fair value of financial assets and financial liabilities are determined as follows:

- the fair value of financial assets with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market bid prices; and

- the fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis using prices from observable current market transactions.

The directors consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

6. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 35 and 37, equity attributable to equity holders of the Company, comprising issued share capital, reserves and retained profits.

The directors of the Company review the capital structure on a regular basis. As part of this review, the directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the directors, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

7. SEGMENT INFORMATION

In accordance with the Group's internal financial reporting practice, the Group uses business segments as its primary segment reporting format. During the year, the entire turnover and profit contribution from operating activities and total assets of the Group are derived from and located in the PRC. Accordingly, no geographical segment information is presented.

BUSINESS SEGMENTS

The Group's operating businesses are structured and managed separately according to the nature of services provided and sales of goods, with each segment representing a strategic business unit that serves different markets:

— Toll operation represents the operation and management of high grade roads and the collection of the expressway tolls.

— Service area businesses mainly represent the sale of food, restaurant operation, automobile servicing as well as the operation of petrol stations.

— Advertising business represents the design and rental of advertising billboards along the expressways.

— Securities operation represents securities broking and proprietary trading.

— Others represents the maintenance of expressways and roads, including the cleaning of the road surface, minor repairs to the lanes, the cleaning of the gutters and sewers, grass mowing, afforestation, maintenance service provided to third parties.

Segment information about these businesses is presented below.

7. SEGMENT INFORMATION (continued)

	Toll operation		Service area businesses		Advertising business		Securities operation		Others		Consolidated	
	2008	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007	**2008**	2007
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000	**Rmb'000**	Rmb'000	**Rmb'000**	Rmb'000	**Rmb'000**	Rmb'000	**Rmb'000**	Rmb'000 (Restated)
INCOME STATEMENT												
REVENUE												
Segment revenue	**3,455,627**	3,897,819	**1,670,435**	1,261,526	**78,032**	64,891	**1,115,589**	1,804,927	**3,787**	1,217	**6,323,470**	7,030,380
RESULT												
Segment results	**2,431,795**	2,761,125	**41,619**	82,767	**26,471**	14,507	**472,811**	1,517,718	**3,787**	1,217	**2,976,483**	4,377,334
Finance costs											**(76,809)**	(60,552)
Share of profit (loss) of associates	**(27,638)**	(10,419)	**11,008**	10,328	**35**	40	**—**	—	**27,254**	(4,604)	**10,659**	(4,655)
Share of profit of a jointly controlled entity	**23,746**	20,406	**—**	—	**—**	—	**—**	—	**—**	—	**23,746**	20,406
Profit before tax											**2,934,079**	4,332,533
Income tax expense											**(668,928)**	(1,191,638)
Profit for the year											2,265,151	3,140,895
BALANCE SHEET												
Segment assets	**15,293,139**	14,778,991	**250,849**	240,145	**66,999**	85,431	**8,909,851**	11,224,267	**—**	—	**24,520,838**	26,328,834
Interests in associates	**243,344**	305,982	**157,815**	153,307	**572**	537	**—**	—	**62,531**	35,277	**464,262**	495,103
Interest in a jointly controlled entity	**124,251**	100,505	**—**	—	**—**	—	**—**	—	**—**	—	**124,251**	100,505
Unallocated corporate assets											**178,170**	588,362
Consolidated total assets											**25,287,521**	27,512,804
Segment liabilities	**687,868**	831,573	**62,012**	102,801	**53,886**	45,174	**5,823,189**	7,726,835	**—**	—	**6,626,955**	8,706,383
Unallocated corporate liabilities											**2,363,298**	3,042,107
Consolidated total liabilities											**8,990,253**	11,748,490
OTHER INFORMATION												
Capital expenditure	**131,034**	1,096,346	**61,206**	31,698	**6,427**	6,828	**113,130**	136,000	**—**	—	**311,797**	1,270,872
Depreciation and amortisation	**729,124**	629,927	**18,447**	21,101	**3,916**	6,428	**30,607**	33,350	**—**	—	**782,094**	690,806
Loss on disposal of property, plant and equipment	**3,045**	3,681	**3,278**	—	**(14)**	—	**(233)**	256	**—**	—	**6,076**	3,937

8. REVENUE AND OTHER INCOME

An analysis of the Group's revenue, net of discounts and taxes, and other income for the year is as follows:

	2008 Rmb'000	2007 Rmb'000
Toll operation revenue	**3,455,627**	3,897,819
Service area businesses revenue	**1,670,435**	1,261,526
Advertising business revenue	**78,032**	64,891
Commission income from securities operation	**947,861**	1,684,284
Interest income from securities operation	**167,728**	120,643
Others	**3,787**	1,217
Total revenue	**6,323,470**	7,030,380
Interest income on bank balances and entrusted loan	**55,115**	20,997
Rental income	**40,858**	32,079
Net exchange gain	**40,143**	40,302
Handling fee income	**22,863**	14,338
Towing income	**15,095**	19,446
Gain on disposal of an associate (Note 23(ii))	**8,375**	—
Interest income from structured deposit	**4,667**	—
Others	**24,304**	7,445
Total other income	**211,420**	134,607
	6,534,890	7,164,987

9. SECURITIES INVESTMENT (LOSSES) GAINS

	2008 Rmb'000	2007 Rmb'000
(Loss) gain on fair value changes on held-for-trading investments	**(201,741)**	475,828
Loss on disposal of available-for-sale investments	**(89,680)**	—
Impairment loss on available-for-sale investments	**(24,792)**	—
	(316,213)	475,828

10. FINANCE COSTS

	2008 Rmb'000	2007 Rmb'000
Interest on bank loans wholly repayable within five years	**18,332**	22,141
Interest on other loans	**15,577**	34,059
Interest on long-term bonds	**42,900**	42,900
Total borrowing costs	**76,809**	99,100
Less: amount capitalised in respect of specific borrowings	**—**	(38,548)
	76,809	60,552

11. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging (crediting):

	2008 Rmb'000	2007 Rmb'000 (Restated)
Depreciation of property, plant and equipment	**112,140**	104,671
Amortisation of prepaid lease payments	**1,503**	1,787
Amortisation of expressway operating rights	**659,027**	577,059
Amortisation of other intangible assets	**9,424**	7,289
Total depreciation and amortisation	**782,094**	690,806
Auditors' remuneration	**7,576**	6,531
Loss on disposal of property, plant and equipment	**6,076**	3,937
Write-down of goodwill	**—**	5,956
Staff costs (including directors and supervisors):		
- Wages and salaries	**292,193**	374,507
- Pension scheme contributions	**32,316**	27,230
	324,509	401,737
Cost of inventories recognised as an expense	**1,518,520**	1,115,597

12. INCOME TAX EXPENSE

The Group is subject to the PRC enterprise income tax ("EIT") levied at a rate of 25% (2007: 33%) of taxable income determined in accordance with the PRC laws and financial reporting system.

No Hong Kong profits tax has been provided as the Group had no taxable profits derived in Hong Kong during the year.

	2008 Rmb'000	2007 Rmb'000
PRC income tax:	**731,019**	1,314,241
Deferred tax (Note 38):		
Current year	**(62,091)**	(16,996)
Attributable to a change in tax rate	**—**	(105,607)
	(62,091)	(122,603)
	668,928	1,191,638

The tax charge for the year can be reconciled to the profit per the consolidated income statement as follows:

	2008 Rmb'000	2007 Rmb'000
Profit before tax	**2,934,079**	4,332,533
Tax at the PRC statutory income tax rate of 25% (2007: 33%)	**733,520**	1,429,736
Tax effect of share of (profits) losses of associates	**(2,665)**	1,536
Tax effect of share of profit of a jointly controlled entity	**(5,937)**	(6,734)
Tax effect of income not taxable for tax purposes	**(23,505)**	(4,920)
Tax effect of expenses not deductible for tax purposes	**5,606**	64,350
PRC income tax over provision in prior year (i)	**(38,091)**	—
Utilisation of tax losses previously not recognized as deferred tax assets (ii)	**—**	(186,723)
Decrease in opening deferred tax liabilities resulting from the decrease in income tax rate (iii)	**—**	(105,607)
Tax charge for the year	**668,928**	1,191,638

12. INCOME TAX EXPENSE (continued)

Notes:

(i) Certain staff costs incurred by a subsidiary, Zheshang Securities Co., Ltd. ("Zheshang Securities") in 2007 in excess of maximum amount deductible was considered as a non-deductible expense and accordingly, income tax provision was made in prior year. During the year, Zheshang Securities has obtained an approval from the government authority for the deduction of these staff costs, so the relevant income tax provision is released to the consolidated income statement.

(ii) The tax loss utilised in 2007, arose mainly from a bad debt provision made by Zheshang Securities prior to its acquisition by the Group in relation to misappropriation of assets perpetrated by Kinghing Trust Investment Co., Ltd. ("Kinghing Investment"), former majority equity owner of Zheshang Securities.

The bad debt provision was treated as a non-deductible expense at the date of acquisition of Zheshang Securities by the Group in 2006. In 2007, the relevant tax authorities granted Zheshang Securities a dispensation to claim tax deduction on the bad debt provision and accordingly, the resulting tax loss was utilised in 2007.

(ii) On March 16, 2007, the PRC promulgated Law of the People's Republic of China on Enterprise Income Tax (the "New Law") by Order No.63 of the President of the PRC. On December 6, 2007, the State Council of the PRC issued Implementation Regulations of the New Law. The New Law and Implementation Regulation has changed the tax rate from 33% to 25% for the Group from January 1, 2008.

13. DIRECTORS' AND SUPERVISORS' EMOLUMENTS

The emoluments paid or payable to each of the 9 (2007: 9) directors and 5 (2007: 5) supervisors are as follows:

	Geng Xiaoping RMB'000	Fang Yunti RMB'000	Zhang Jingzhong RMB'000	Jiang Wenyao RMB'000	Zhang^ Luyun RMB'000	Zhang^ Yang RMB'000	Tung* Chee Chen RMB'000	Zhang* Junsheng RMB'000	Zhang* Liping RMB'000	Ma# Kehua RMB'000	Fang# Zhexing RMB'000	Zheng# Qihua RMB'000	Jiang# Shaozhong RMB'000	Wu# Yongmin RMB'000	Total RMB'000
2008															
Salaries, allowances and benefits in kind	**529**	**400**	**294**	**254**	**2**	**2**	**251**	**52**	**252**	**2**	**2**	**—**	**3**	**1**	**2,044**
Bonuses paid and payable	**355**	**286**	**289**	**327**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**1,257**
Pension scheme contributions	**14**	**14**	**14**	**14**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**56**
Total emoluments	**898**	**700**	**597**	**595**	**2**	**2**	**251**	**52**	**252**	**2**	**2**	**—**	**3**	**1**	**3,357**
2007															
Salaries, allowances and benefits in kind	527	400	388	358	4	3	250	52	251	3	4	—	1	3	2,244
Bonuses paid and payable	360	277	195	225	—	—	—	—	—	—	—	—	—	—	1,057
Pension scheme contributions	12	12	12	12	—	—	—	—	—	—	—	—	—	—	48
Total emoluments	899	689	595	595	4	3	250	52	251	3	4	—	1	3	3,349

^ Non-executive directors

* Independent non-executive directors

Supervisors

The emoluments of each of the directors and supervisors, other than Mr. Geng Xiaoping, for both years were below HK$1,000,000 (equivalent to Rmb881,900). Bonuses paid to directors and supervisors are determined by the Remuneration Committee of the Company, which comprises three independent non-executive directors.

No directors or supervisors waived any emoluments and no incentive was paid to any directors or supervisors as an inducement to join the Company and no compensation for loss of office was paid to any directors, supervisors, past directors or past supervisors during both years. Bonuses are determined by reference to the individual performance of the directors.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group are as follows:

	2008 Rmb'000	2007 Rmb'000
Salaries, allowances and benefits in kind	**7,769**	1,000
Bonuses paid and payable	**5,018**	4,127
Pension scheme contributions	**85**	63
Incentive paid	**7,400**	63
Compensation for loss of office	**—**	—
	20,272	5,253

The five individuals with the highest emoluments in the Group during the year included no (2007: one) director, whose emoluments are set out in note 13 above, as well as five (2007: four) non-director employees.

Their emoluments are within the following bands:

	2008 No. of individuals	2007 No. of individuals
HK$ nil to HK$1,000,000	**—**	1
HK$1,000,001 to HK$1,500,000	**—**	4
HK$3,000,001 to HK$3,500,000	**1**	—
HK$4,000,001 to HK$4,500,000	**2**	—
HK$4,500,001 to HK$5,000,000	**1**	—
HK$6,000,001 to HK$6,500,000	**1**	—

15. DIVIDENDS

The final dividend of Rmb24 cents (2007: Rmb24 cents) per share has been proposed by the directors and is subject to approval by the shareholders in the annual general meeting.

16. EARNINGS PER SHARE

The calculation of the basic earnings per share is based on profit for the year attributable to equity holders of the Company of Rmb1,892,787,000 (2007: Rmb2,415,965,000) and the 4,343,114,500 (2007: 4,343,114,500) ordinary shares in issue during the year.

No diluted earnings per share has been presented as there were no potential dilutive ordinary shares in issue in both years.

17. PROPERTY, PLANT AND EQUIPMENT

	Expressways and bridges Rmb'000 (Restated)	Leasehold land and buildings Rmb'000	Ancillary facilities Rmb'000	Communications and signalling equipment Rmb'000	Motor vehicles Rmb'000	Machinery and equipment Rmb'000	Construction in progress Rmb'000 (Restated)	Total Rmb'000 (Restated)
COST								
At January 1, 2007								
As originally stated	13,270,186	335,392	364,531	326,579	142,477	254,658	1,471,493	16,165,316
Effect on change in accounting policy (Note 2)	(13,270,186)	—	—	—	—	—	(1,467,308)	(14,737,494)
As restated	—	335,392	364,531	326,579	142,477	254,658	4,185	1,427,822
Additions (restated)	—	5,543	1,518	25,162	14,587	10,921	65,646	123,377
Acquired on acquisition of a subsidiary	—	—	—	2,271	369	—	—	2,640
Transfers (restated)	—	—	57,183	993	208	5,121	(63,505)	—
Disposals (restated)	—	—	—	(114,515)	(5,000)	(12,680)	—	(132,195)
At December 31, 2007, as restated	—	340,935	423,232	240,490	152,641	258,020	6,326	1,421,644
Additions	—	78,181	60,667	25,746	22,847	48,811	8,502	244,754
Transfer	—	—	6,326	—	—	—	(6,326)	—
Disposals	—	(6,150)	(4,367)	—	(2,241)	(558)	—	(13,316)
At December 31, 2008	—	412,966	485,858	266,236	173,247	306,273	8,502	1,653,082
DEPRECIATION								
At January 1, 2007								
As originally stated	1,858,670	16,403	74,269	255,255	83,941	101,157	—	2,389,695
Effect on change in accounting policy (Note 2)	(1,858,670)	—	—	—	—	—	—	(1,858,670)
As restated	—	16,403	74,269	255,255	83,941	101,157	—	531,025
Provided for the year (restated)	—	13,611	20,751	16,537	17,449	36,323	—	104,671
Disposals (restated)	—	—	—	(104,808)	(4,124)	(11,997)	—	(120,929)
At December 31, 2007, as restated	—	30,014	95,020	166,984	97,266	125,483	—	514,767
Provided for the year	—	14,744	24,461	20,388	15,473	37,074	—	112,140
Disposals	—	(2,197)	(969)	—	(1,815)	(92)	—	(5,073)
At December 31, 2008	—	42,561	118,512	187,372	110,924	162,465	—	621,834
CARRYING VALUES								
At December 31, 2008,	—	370,405	367,346	78,864	62,323	143,808	8,502	1,031,248
At December 31, 2007, as restated	—	310,921	328,212	73,506	55,375	132,537	6,326	906,877

The property, plant and equipment are mainly located in the PRC.

17. PROPERTY, PLANT AND EQUIPMENT (continued)

The carrying value of leasehold land and buildings shown above comprises:

	2008 **Rmb'000**	2007 Rmb'000
Leasehold land and buildings in the PRC:		
Long lease	**26,514**	11,664
Medium-term lease	**343,891**	299,257
	370,405	310,921

18. PREPAID LEASE PAYMENTS

The Group's prepaid lease payments comprise leasehold land in the PRC under medium-term lease.

	Rmb'000 (Restated)
COST	
At January 1, 2007	
As originally stated	571,693
Effect of change in accounting policy (Note 2)	(527,171)
As restated	44,522
Addition (restated)	22,541
At December 31, 2007, as restated	67,063
Addition	1,528
Disposal	(12,414)
At December 31, 2008	56,177
AMORTISATION	
At January 1, 2007	
As originally stated	162,409
Effect of change in accounting policy (Note 2)	(157,860)
As restated	4,549
Charge for the year (restated)	1,787
At December 31, 2007, as restated	6,336
Charge for the year	1,503
Disposal	(581)
At December 31, 2008	7,258
CARRYING VALUES	
At December 31, 2008	48,919
At December 31, 2007	60,727

	2008 **Rmb'000**	2007 Rmb'000
Analysed for reporting purposes as:		
Current assets	**1,265**	1,500
Non-current assets	**47,654**	59,227
	48,919	60,727

The amount represents prepayment of rentals under operating leases for "land use rights" situated in the PRC.

19. EXPRESSWAY OPERATING RIGHTS

	Rmb'000 (Restated)
COST	
At January 1, 2007	
As originally stated	261,000
Effect of change in accounting policy (Note 2)	15,264,665
As restated	15,525,665
Addition (restated)	671,831
At December 31, 2007, as restated	16,197,496
Addition	60,252
At December 31, 2008	16,257,748
AMORTISATION	
At January 1, 2007	
As originally stated	81,155
Effect of change in accounting policy (Note 2)	2,016,530
As restated	2,097,685
Charge for the year (restated)	577,059
At December 31, 2007, as restated	2,674,744
Charge for the year	659,027
At December 31, 2008	3,333,771
CARRYING VALUES	
At December 31, 2008	12,923,977
At December 31, 2007	13,522,752

The above expressway operating rights were granted by the Zhejiang Provincial Government to the Group for 30 years. During the expressway concessionary period, the Group has the rights of operation and management of Shanghai-Hangzhou-Ningbo Expressway and Shangsan Expressway and the toll-collection rights thereof. The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways and their toll station facilities will be returned to the grantors at zero consideration.

20. GOODWILL

	Rmb'000
COST AND CARRYING AMOUNT	
At January 1, 2007	91,428
Arising on acquisition of a subsidiary	1,395
Write-down	(5,956)
At December 31, 2007 and at December 31, 2008	86,867

Particulars regarding impairment testing on goodwill are disclosed in note 22.

21. OTHER INTANGIBLE ASSETS

	Customer bases Rmb'000	Securities/futures firm licenses Rmb'000	Trading seats Rmb'000	Software licenses Rmb'000	Total Rmb'000
COST					
At January 1, 2007	93,997	51,783	2,080	—	147,860
Acquired on acquisition of a subsidiary	7,150	11,300	1,400	758	20,608
Additions	—	—	—	4,180	4,180
At December 31, 2007	101,147	63,083	3,480	4,938	172,648
Additions	—	—	—	5,263	5,263
Written off	—	—	—	(132)	(132)
At December 31, 2008	101,147	63,083	3,480	10,069	177,779
AMORTISATION					
At January 1, 2007	3,133	—	—	—	3,133
Charge for the year	6,663	—	—	626	7,289
At December 31, 2007	9,796	—	—	626	10,422
Charge for the year	8,650	—	—	774	9,424
Written off	—	—	—	(132)	(132)
At December 31, 2008	18,446	—	—	1,268	19,714
CARRYING VALUES					
At December 31, 2008	82,701	63,083	3,480	8,801	158,065
At December 31, 2007	91,351	63,083	3,480	4,312	162,226

The above intangible assets, other than part of software licenses, were purchased as part of business combinations during both 2006 and 2007. Other software licenses were acquired from third parties.

The customer bases of the securities operation have a definite useful life. The customer bases of Zheshang Securities Co., Ltd. ("Zheshang Securities") and Zhejiang Tianma Futures Broker Co., Ltd ("Tianma Futures") are amortised on a straight-line basis over 15 years and 3 years respectively.

21. OTHER INTANGIBLE ASSETS (continued)

The securities/futures firm licenses of the securities operation are considered by the management of the Group to have an indefinite useful life because they can be renewed at minimal cost even though the current licenses are effective for three years.

The trading seats of the securities operation is considered by the management of the Group to have an indefinite useful life because there is no economic or regulatory limit to their useful life.

Software licenses are amortised on a straight-line basis over five years.

Particulars of the impairment testing on intangible assets with indefinite useful lives are disclosed in note 22.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

As explained in note 7, the Group uses business segments as its primary segment for reporting segment information. For the purposes of impairment testing, goodwill and other intangible assets with indefinite useful lives set out in notes 20 and 21 have been allocated to four individual cash generating units (CGUs), including two subsidiaries in toll operation segment and two subsidiaries in securities operation segment. The carrying amounts of goodwill and other intangible assets as at December 31, 2008 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	2008	2007	**2008**	2007	**2008**	2007
	Rmb'000	Rmb'000	**Rmb'000**	Rmb'000	**Rmb'000**	Rmb'000
Toll operation						
- Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Co")	**75,137**	75,137	**—**	—	**—**	—
- Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co")	**10,335**	10,335	**—**	—	**—**	—
Securities operation						
- Zheshang Securities	**—**	—	**51,783**	51,783	**2,080**	2,080
- Zhejiang Tianma Futures Broker Co., Ltd. ("Tianma Futures")	**1,395**	1,395	**11,300**	11,300	**1,400**	1,400
	86,867	86,867	**63,083**	63,083	**3,480**	3,480

During the year ended December 31, 2008, the management of the Group determines that the recoverable amounts exceed the carrying amounts of the respective CGUs containing goodwill and other intangible assets with indefinite useful lives and therefore no impairment has been recognised.

22. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (continued)

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

JIAXING CO AND SHANGSAN CO

The recoverable amounts of Jiaxing Co and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 15% (2007: 15%). No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are twenty-year and twenty-two-year for Jiaxing Co. and Shangsan Co. respectively.

ZHESHANG SECURITIES

The recoverable amount of Zheshang Securities is determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a four-year period and a discount rate of 23.5% (2007: 23.5%).

TIANMA FUTURES

The recoverable amount of Tianma Futures is determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rate, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by management covering a five-year period and a discount rate of 19.3% (2007: 19.3%).

23. INTERESTS IN ASSOCIATES

	2008 Rmb'000	2007 Rmb'000 (Restated)
Unlisted investments in associates, at cost	**431,290**	466,290
Share of post-acquisition profits, net of dividends received	**32,972**	28,813
	464,262	495,103

At December 31, 2008, the Group had interests in the following associates:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest attributable to the Group 2008 %	2007 %	Principal activities
Zhejiang Expressway Petroleum Development Co., Ltd. ("Petroleum Co")	Corporate	The PRC	**50**	50	Operation of petrol stations and sale of petroleum products
JoinHands Technology Co., Ltd. ("JoinHands Co") (Note i)	Corporate	The PRC	**27.58**	27.58	Provision of printing services and property leasing
Zhejiang Jiashao Expressway Co., Ltd. ("Jiashao Co") (Note ii)	Corporate	The PRC	**—**	35	Management of the Jiashao Expressway
Zhejiang Concord Property Investment Co., Ltd.	Corporate	The PRC	**22.95**	22.95	Investment and real estate development
Hangzhou Yuhang Communication Time Plaza Co., Ltd. ("Time Plaza Co") (Note iii)	Corporate	The PRC	**15.3**	15.3	Investment and real estate development
Ningbo Expressway Advertising Co., Ltd. ("Ningbo Advertising Co") (Note iv)	Corporate	The PRC	**12.5**	12.5	Management of advertising billboards along expressways
Zhejiang Jinhua Yongjin Expressway Co., Ltd.	Corporate	The PRC	**23.45**	23.45	Management of the Jinhua section of the Ningbo-Jinhua Expressway

23. INTERESTS IN ASSOCIATES (continued)

Notes:

(i) On April 19, 2007, the Company entered into an equity transfer agreement with Guangzhou Zhongda Kaisi Group Co., Ltd. ("Zhongda Kaisi") whereby Zhongda Kaisi undertook to bid for such equity interest of JoinHands Co. at the property exchange centre at a price no less than its valuation to be determined by an accredited valuer. The carrying value of investment in JoinHands Co was classified as an asset held for sale in prior year. Due to the economic downturn, Zhongda Kaisi failed to complete the transaction and the Group does not have any active plan to dispose such investment at the balance sheet date. As a result, the directors determine to reclassify the carrying value of the investment from assets held for sale to interest in associate using equity method of accounting as from the date of its classification as held-for-sale. The financial statements for the periods since classification as held-for-sale is amended to interests in associates accordingly.

(ii) Investment in Jiashao Co has been disposed during the year at a cash consideration of Rmb43,375,000, resulted at a gain on disposal of Rmb8,375,000.

(iii) The Group is able to exercise significant influence over Time Plaza Co because it has the power to appoint one out of five directors of that company.

(iv) The Group is able to exercise significant influence over Ningbo Advertising Co because it has the power to appoint two out of five directors of that company.

The summarised financial information in respect of the Group's associates at balance sheet date is set out below:

	2008	2007
	Rmb'000	Rmb'000
Total assets	**4,089,893**	4,382,281
Total liabilities	**(2,537,904)**	(2,673,300)
Net assets	**1,551,989**	1,708,981
Group's share of net assets of associates	**464,262**	495,103
Revenue	**3,874,147**	2,966,548
Loss for the year	**(59,378)**	(14,580)
Group's share of results of associates for the year	**10,659**	(4,655)

24. INTEREST IN A JOINTLY CONTROLLED ENTITY

	2008 Rmb'000	2007 Rmb'000
Unlisted investment in a jointly controlled entity, at cost	**65,000**	65,000
Share of post-acquisition profits, net of dividends received	**59,251**	35,505
	124,251	100,505

At December 31, 2008, the Group had interests in the following jointly controlled entity:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest held by the Group	Profit sharing	Principal activities
Hangzhou Shida Expressway Co., Ltd.	Corporate	The PRC	50%	50%	Operation of the Shiqiao-Dajing expressway

The Group's entitlement to voting rights and share in the profit of the jointly controlled entity is in proportion to its ownership interests.

The summarised financial information in respect of the Group's interest in the jointly controlled entity which are accounted for using the equity method is set out below:

	2008 Rmb'000	2007 Rmb'000
Current assets	**36,136**	25,400
Non-current assets	**141,033**	148,295
Current liabilities	**(38,509)**	(58,433)
Non-current liabilities	**(14,409)**	(14,757)
Income	**46,703**	44,989
Expenses	**(22,957)**	(24,583)

25. AVAILABLE-FOR-SALE INVESTMENTS

Available-for-sale investments comprise:

	2008 Rmb'000	2007 Rmb'000
Non-current assets:		
Unlisted equity investments, at cost (i)	1,000	1,000
Current assets:		
Listed equity investments in the PRC, at fair value (ii)	28,001	595,758
	29,001	596,758

Notes:

(i) Unlisted equity investments represent investments in unlisted equity securities issued by private entities established in the PRC. They are measured at cost less impairment at each balance sheet date because the range of reasonable fair value estimated is so significant that the directors of the Company are of the opinion that their fair values cannot be measured reliably.

(ii) Listed equity investments represent equity securities subscribed through placement by listed issuers. They are measured at fair value. During the year, the loss on change in fair value of the investments of Rmb345,081,000 (2007: gain on change in fair value of Rmb230,609,000) has been debited to equity. Subsequently, the Group disposed certain investments and recognized a loss on disposal of Rmb89,680,000 (2007: Nil) to consolidated income statement. Management determines that the decrease in quoted market price of the remaining investments is significant or prolonged, accordingly, the impairment loss on such investments of Rmb24,792,000 (2007: Nil) has been transferred directly to the consolidated income statement.

26. TRADE RECEIVABLES

The Group has no credit period granted to its trade customers of toll operation, service area operation and securities operation. An aging analysis of trade receivables at the balance sheet date, based on invoice date, is as follows:

	2008 Rmb'000	2007 Rmb'000
Within 3 months	71,640	69,453
3 months to 1 year	3,408	7,477
1 to 2 years	288	4,181
Over 2 years	663	1,566
	75,999	82,677

Included in the balance aged within 3 months were tolls receivable from the Expressway Fee Settlement Centre of the Highway Administration Bureau of Zhejiang Province and Hangzhou Urban and Rural Construction Committee amounting to Rmb71,640,000 (2007: Rmb69,453,000) which has been settled subsequent to the balance sheet date. The directors consider the credit risk of the balance to be minimal. The Group has not provided for impairment loss on the balances past due as set out above and does not hold any collateral over these balances.

27. OTHER RECEIVABLES

	2008 Rmb'000	2007 Rmb'000
Other debtors (Note)	**115,041**	168,992
Prepayments	**62,129**	48,370
Entrusted loan to a related party (Note 43(a))	**—**	370,000
	177,170	587,362

The amounts are unsecured, interest-free and repayable on demand.

Note: Included in other debtors is loan receivables from minority shareholders for the capital contribution into Zheshang Securities of Rmb58,046,000 (2007: Rmb131,100,000).

28. HELD-FOR-TRADING INVESTMENTS

	2008 Rmb'000	2007 Rmb'000
Listed securities in the PRC, at fair value:		
Equity securities	**4,596**	533,574
Open-end equity funds	**4,014**	7,677
Corporate bonds ranging from 4.28% to 8.35% per annum and maturity date from June 2, 2009 to July 23, 2018	**238,977**	79,969
	247,587	621,220

29. STRUCTURED DEPOSIT

The structured deposit represents a yield enhanced deposit in Standard Chartered Bank (the "Issuer") for a principal of Rmb200,000,000 with a guaranteed interest rate at 4% per annum and a variable interest ranging from 0% - 2% per annum, depending on the settlement price of certain commodities, payable annually on the maturity date June 1, 2009. The directors consider that the fair value of embedded derivative in relation to the variable rate interest depending on the commodity price is minimal.

30. BANK BALANCES HELD ON BEHALF OF CUSTOMERS

From its securities operation, the Group receives and holds money deposited by customers and other institutions. These customers' money is maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective customers and other institutions.

Bank balances held on behalf of customers carry interest at market rates which range from 0.99% to1.64% (2007: 0.99% to 2.62%) per annum.

Bank balances held on behalf of customers that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	**USD** Rmb'000
As at December 31, 2008	**8,734**	**42,045**
As at December 31, 2007	10,331	70,885

31. BANK BALANCES AND CASH

	2008 **Rmb'000**	2007 Rmb'000
Restricted bank balances (Note)	**35,000**	35,000
Time deposits with original maturity over three months	**284,068**	226,972
Unrestricted bank balances and cash	**3,478,945**	2,738,811
Time deposits with original maturity of less than three months	**258,000**	35,000
Cash and cash equivalents	**3,736,945**	2,773,811
	4,056,013	3,035,783

Note: The restricted bank balances is frozen by China Securities Depository and Clearing Corporation Limited Shanghai Branch in connection with the guarantees issued by Zheshang Securities, in which Rmb33,000,000 has been released in January 2009. For details, please refer to Note 36(iii).

Bank balances carry interest at market rates which range from 0.36% to 0.72% (2007: 0.72% to 2.62%) per annum. Time deposits carry interest at fixed rates ranging from 1.35% to 4.14% (2007: 1.62% to 4.41%) per annum.

Bank balances and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	**USD** Rmb'000
As at December 31, 2008	**3,784**	**22,668**
As at December 31, 2007	3,324	21,507

32. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES DEALING BUSINESS

The settlement terms of accounts payables arising from the securities dealing business are one day after the trade date. No aging analysis is disclosed as in the opinion of the directors an aged analysis does not give any additional value in view of the nature of the business.

Accounts payable to customers arising from securities dealing business that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2008	**8,734**	**42,045**
As at December 31, 2007	10,331	70,885

33. TRADE PAYABLES

Trade payables mainly represent the construction payables for the improvement projects of toll expressways. An aging analysis of trade payables at the balance sheet date, based on invoice date, is as follows:

	2008 Rmb'000	2007 Rmb'000
Within 3 months	**216,913**	500,371
3 months to 1 year	**169,772**	200,735
1 to 2 years	**24,778**	25,244
2 to 3 years	**2,336**	9,867
Over 3 years	**1,297**	673
	415,096	736,890

34. OTHER PAYABLES AND ACCRUALS

	2008 Rmb'000	2007 Rmb'000
Other liabilities:		
Accrued payroll and welfare	**295,359**	315,693
Advance from customers	**67,997**	57,774
Toll collected on behalf of other toll roads	**34,462**	35,339
Others	**91,946**	92,559
	489,764	501,365
Accruals	**47,998**	52,356
Amount due to ultimate holding company	**—**	2,599
	537,762	556,320

The amount due to ultimate holding company, the Communications Investment Group, is unsecured, interest-free and repayable on demand.

35. INTEREST-BEARING BANK AND OTHER LOANS

	2008 Rmb'000	2007 Rmb'000
Bank loans, unsecured	**95,000**	20,000
Other loans, unsecured	**514,764**	601,990
	609,764	621,990
Bank loans repayable:		
Within one year	**95,000**	20,000
Other loans repayable:		
Within one year	**285,897**	268,045
In the second year	**84,402**	89,339
In the third to fifth years, inclusive	**144,465**	244,606
	514,764	601,990
	609,764	621,990
Less: Amount due within one year shown under current liabilities	**(380,897)**	(288,045)
	228,867	333,945

The bank loans included a loan of Rmb30,000,000 (2007: Rmb20,000,000) carrying fixed rate at 6.21% (2007: 6.57%) and a loan of Rmb65,000,000 (2007: nil) carrying floating rates based on the China Central Bank benchmark interest rate ranging from 6.21% to 7.20% (2007: nil).

The other loans represent mainly loans from the World Bank via municipal governments and carry floating interest at London Inter-Bank Offered Rate – 0.05% ranging from 2.84% to 5.36% (2007: 5.10%) per annum (both the effective interest rate and contracted interest rate), the rate prescribed by the World Bank, and are repayable by semi-annual instalments.

The bank and other loans of the Group that are denominated in currencies other than Rmb amounted to Rmb477,364,000 (USD69,845,000) as at December 31, 2008 (2007: Rmb564,590,000 (USD77,292,000)).

36. PROVISIONS

	Litigation on disputes over state bond Rmb'000 (note i)	Financial guarantees to third parties Rmb'000 (note ii)	Litigation on interest claim Rmb'000 (note iii)	Other litigation Rmb'000 (note iv)	Total Rmb'000
At January 1, 2007	—	34,800	—	—	34,800
Provision for the year	111,414	17,810	—	—	129,224
At December 31, 2007	111,414	52,610	—	—	164,024
Provision for the year	—	—	21,683	12,181	33,864
Reversal for the year	(111,414)	(52,610)	—	—	(164,024)
At December 31, 2008	—	—	21,683	12,181	33,864

Notes:

(i) Fourteen customers of Zheshang Securities previously entered into state bond investment agency agreements with Kinghing Investment, whereby Zheshang Securities kept in custody state bonds with principal and interest at a rate of 2.7% in aggregate of Rmb111.4 million. These state bonds were pledged as security for certain third party repo trading transactions and the funds obtained were misappropriated by Kinghing Investment. Kinghing Investment was unable to return the misappropriated funds in time and as a result, the security over the state bonds was enforced to settle the relevant repo trading transactions.

In the opinion of directors, Kinghing Investment should take full responsibility for breach of the state bond investment agency agreements. Kinghing Investment had ceased its operations and its restructuring was underway. In 2007, these customers filed legal proceedings against Zheshang Securities for the disputes over the state bond investment agency agreements. The Court of First Instance ruled against Zheshang Securities which appealed to the Court of Second Instance over the rulings given by the Court of First Instance. The Court of Second Instance overturned the rulings given to two of these customers by the Court of First Instance and sent the two cases back for retrial.

In January 2008, the Intermediate People's Court of Jinhua City opened a case for the bankruptcy settlement of Kinghing Investment and appointed the settlement team of Kinghing Investment as the administrator.

Considering the developments in the legal proceedings and the risk management applied in the PRC financial industry, the directors resolved to make a full provision of Rmb111.4 million in 2007.

In December 2008, Kinghing Investment has fully repaid the principal and interest to all 14 customers and the obligation of Zheshang Securities has been discharged. The provision for the litigation has been reversed and credited to the consolidated income statement during the year.

(ii) Zheshang Securities granted guarantees to corporate customers and individual customers in respect of the state bond investment agency agreements and fund trust agreements entered into between Kinghing Investment and these corporate customers and individual customers. As Kinghing Investment ceased its operations and in the process of liquidation, the directors considered that it was probable that such guarantees would be exercised. As a result, full provision of Rmb34.8 million and Rmb17.8 million for corporate customers and individual customers, respectively, were made in prior years.

In December 2008, Kinghing Investment has fully repaid the claims and interest at a rate of 2.7% to these customers and the obligation of Zheshang Securities has been discharged. Accordingly, the provisions for guarantees have been credited to the consolidated income statement during the year.

36. PROVISIONS (continued)

Notes: (continued)

(iii) The Group has received a claim from the customers under the state bond investment agency agreements and fund trust agreements for the additional interest compensation upon the settlement of the principal and interest at a rate of 2.7%. The litigation will be processed in 2009. Based on the legal opinion, management considered that it is probable that the claim is ruled against the Group and accordingly, a provision for the interest compensation amounting to Rmb21,683,000 has been recognised in the consolidated income statement for the year.

(iv) Sinobase International Ltd. initiated a lawsuit against Zheshang Securities in November 2008 in respect of a dispute for asset management entrustment contract entered into with Zheshang Securities in September 2005 with a principal and default compensation in aggregate of Rmb12,181,000. Taking into account of the current progress of the legal proceedings and the risk management principle applied in the PRC financial industry, the directors considered that claim is probable and a full provision of such claim has been recognised in the consolidated income statement for the year.

37. LONG-TERM BONDS

	2008 **Rmb'000**	2007 Rmb'000
Long-term bonds – listed in the PRC	**1,000,000**	1,000,000

The long-term bonds are unsecured, carry interest payable annually at a fixed rate of 4.29% per annum and are repayable in 2013 upon maturity.

38. DEFERRED TAXATION

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Impairment of available-for-sale investments Rmb'000	Provisions Rmb'000	Changes in fair value of held-for-trading and available-for-sale investments Rmb'000	Accelerated tax depreciation of intangible assets Rmb'000	Fair value adjustment of intangible assets Rmb'000	Total Rmb'000
At January 1, 2007	—	—	28,943	372,166	55,847	456,956
Effect of change in tax rate	—	—	(7,265)	(85,353)	(12,989)	(105,607)
Charge (credit) to consolidated income statement for the year	—	(41,006)	46,399	(20,122)	(2,267)	(16,996)
Charge to equity for the year	—	—	57,652	—	—	57,652
At December 31, 2007	—	(41,006)	125,729	266,691	40,591	392,005
Charge (credit) to consolidated income statement for the year	(6,198)	32,540	(72,855)	(13,903)	(1,675)	(62,091)
Reversal of charge to equity for the year	—	—	(57,652)	—	—	(57,652)
At December 31, 2008	(6,198)	(8,466)	(4,778)	252,788	38,916	272,262

39. SHARE CAPITAL

	Number of shares		Share capital	
	2008	2007	**2008**	2007
			Rmb'000	Rmb'000
Registered, issued and fully paid:				
Domestic shares of Rmb1.00 each	**2,909,260,000**	2,909,260,000	**2,909,260**	2,909,260
H Shares of Rmb1.00 each	**1,433,854,500**	1,433,854,500	**1,433,855**	1,433,855
	4,343,114,500	4,343,114,500	**4,343,115**	4,343,115

There were no movements in share capital during both years.

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997. The H Shares were admitted to the Official List on May 5, 2000 and their dealings on the London Stock Exchange commenced on the same day.

On February 14, 2002, the United States Securities and Exchange Commission, following the approval by the Board of Directors and the China Securities Regulatory Commission, declared the registration statement in respect of the ADSs evidenced by ADRs representing the deposited H Shares of the Company effective.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

40. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. To supplement this existing retirement benefits scheme, the Group adopted a corporate annuity scheme during the year in accordance with relevant rules and regulations. The Group is required to contribute a certain percentage of payroll costs to these retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

41. COMMITMENTS

	2008 Rmb'000	2007 Rmb'000
Contracted for but not provided for in the consolidated financial statements:		
- Investments in expressways upgrade services	**272,518**	—
- Capital injection into Jiashao Co	**—**	1,110,375
- Acquisition of additional interest in Shangsan Co	**485,000**	485,000
	757,518	1,595,375
Authorised but not contracted for:		
- Investments in expressways upgrade services	**730,739**	1,123,066
- Purchase of machinery	**130,000**	80,000
- Renovation of service areas	**10,000**	54,310
- Purchase of office buildings and its renovation work	**84,300**	—
	955,039	1,257,376

42. OPERATING LEASES

The Group as lessee

	2008 Rmb'000	2007 Rmb'000
Minimum lease payments	**7,811**	—
Contingent rental expenses	**1,189**	—
	9,000	—

At the balance sheet date, the Group had commitments for future minimum lease payments under non-cancellable operating leases which fall due as follows:

	2008 Rmb'000	2007 Rmb'000
Within one year	**7,540**	2,300
In the second to fifth years inclusive	**49,330**	29,350
Over five years	**56,700**	40,900
	113,570	72,550

Operating lease payments represent rentals payable by the Group for certain service areas along expressways located in Zhejiang and Tianjin. The leases were entered into during 2008 and 2007. They are negotiated for an average term of 10 years and rentals contain both a fixed element and a contingent element linked to sales.

42. OPERATING LEASES (continued)

The Group as lessor

The Group leased their service areas and communication ducts under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 25 years and rentals are fixed annually.

At December 31, 2008, the Group had contracted with tenants for the following future minimum lease payments:

	2008 Rmb'000	2007 Rmb'000
Within one year	**46,227**	18,936
In the second to fifth years inclusive	**39,005**	13,074
After five years	**35,048**	20,576
	120,280	52,586

43. RELATED PARTY TRANSACTIONS AND BALANCES

The following is a summary of the related party transactions arising from the Group's daily operating activities:

(a) Pursuant to the board resolutions of the Company on December 17, 2007, the Group signed an entrusted loan contract on December 26, 2007 with Zhejiang Jinji Property Co., Ltd ("Jinji Co."), a subsidiary of the Communications Investment Group, via China Citic Bank. Pursuant to the contract, the Company agreed to provide a one-year loan of Rmb370,000,000 to Jinji Co via the bank at a fixed interest rate of 8.97% per annum. The entrusted loan was guaranteed by the Communications Investment Group and fully repaid in 2008. See also Note 27.

Pursuant to the resolutions of the annual general meeting on June 27, 2008 of Zhejiang Expressway Investment Development Co., Ltd. ("Development Co"), a subsidiary of the Company, and the entrusted loan contracts, Development Co. provided short-term entrusted loans during 2008 amounting to Rmb100,000,000 to Zhejiang Concord Property Investment Co., Ltd. ("Concord Co") the associate of Development Co., at a fixed interest rate of 12% per annum, via China Everbright Bank Hangzhou Zhaohui Branch. The entrusted loans were fully repaid within 2008.

Net interest income recognised in 2008 on the above transactions with Jinji Co. and Concord Co. are respectively Rmb32,010,000 (2007: nil) and Rmb4,542,000 (2007: nil).

(b) Pursuant to the operation management agreement entered into between Development Co and Petroleum Co in respect of the petrol stations in the service areas along the Shanghai-Hangzhou-Ningbo and Shangsan Expressways, Petroleum Co will with their expertise assist Development Co in running their petrol stations along the Shanghai-Hangzhou-Ningbo and Shangsan Expressways. Purchases of petroleum products from Petroleum Co during 2008 amounted to Rmb1,381,404,000 (2007: Rmb970,761,000).

(c) See notes 27 and 34 for details of amounts due from minority shareholders of a subsidiary and amount due to ultimate holding company.

43. RELATED PARTY TRANSACTIONS AND BALANCES (continued)

TRANSACTIONS AND BALANCES WITH OTHER STATE-CONTROLLED ENTITIES IN THE PRC

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("state-controlled entities"). In addition, the Group itself is part of a larger group of companies under the Communications Investment Group which is controlled by the PRC government. Apart from the transactions with the Communications Investment Group and parties under the common control of the Communications Investment Group, the Group also conducts business with other state-controlled entities. The directors consider those state-controlled entities are independent third parties so far as the Group's business transactions with them are concerned.

In addition, the Group has entered into various transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institutions which are state-controlled entities in its ordinary course of business. In view of the nature of those banking transactions, the directors are of the opinion that separate disclosure would not be meaningful.

In respect of the Group's toll road business, the directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other state-controlled entities in the PRC.

COMPENSATION OF DIRECTORS, SUPERVISORS, AND KEY MANAGEMENT PERSONNEL

Other than the directors, supervisors and key management personnel disclosed in notes 13 and 14, the remuneration of other key management personnel during the year was approximately Rmb1,384,000 including retirement benefit scheme contribution of Rmb42,000 (2007: Rmb1,374,000 including retirement benefit scheme contribution of Rmb36,000) which is determined by the performance of the individuals and the market trends.

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

Name of subsidiary	Date and place of registration	Registered and paid-in capital Rmb	Percentage of equity interest attributable to the Company Direct 2008	Direct 2007	Indirect 2008	Indirect 2007	Principal activities
Zhejiang Yuhang Expressway Co., Ltd ("Yuhang Co")	Note 1	75,223,000	**51**	51	**—** **—**	— —	Management of the Yuhang Section of the Shanghai-Hangzhou Expressway
Zhejiang Jiaxing Expessway Co., Ltd ("Jiaxing Co")	Note 2	1,859,200,000	**99.999454**	99.999454	**—**	—	Management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Zhejiang Shangsan Expressway Co.,Ltd ("Shangsan Co")	Note 3	2,400,000,000	**73.625**	73.625	**—**	—	Management of the Shangsan Expressway
Zhejiang Expressway Investment Development Co.,Ltd ("Development Co")	Note 4	120,000,000	**51**	51	**—**	—	Operation of service areas as well as roadside advertising along the the expressways oper ated by the Group
Zhejiang Expressway Advertising Co., Ltd ("Advertising Co")	Note 5	3,500,000	**—**	—	***35.7**	*35.7	Provision of advertising services
Zhejiang Expressway Vehicle Towing and Rescue Service Co., Ltd. ("Service Co")	Note 6	8,000,000	**—**	—	***43.35**	*43.35	Provision of vehicle towing, repair and emergency rescue services
Hangzhou Roadtone Advertising Co., Ltd. ("Roadtone Co")	Note 7	3,000,000	**—**	—	***26.01**	*26.01	Provision of advertising services
Zheshang Securities Co., Ltd ("Zheshang Securities")	Note 8	1,520,000,000	**—**	—	****51.88**	**51.88	Operation of securities business
Zhejiang Tianma Futures Broker Co., Ltd ("Tianma Futures)	Note 9	100,000,000	**—**	—	*****51.88**	***51.88	Operation of securities business

44. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (continued)

* These three companies are subsidiaries of Development Co, a non wholly-owned subsidiary of the Company, and, accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

** The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it.

*** The company is a subsidiary of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it.

Note 1: Yuhang Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company.

Note 4: Development Co was established on May 28, 2003 in the PRC as a limited liability company.

Note 5: Advertising Co was established on June 1, 1998 in the PRC as a limited liability company.

Note 6: Service Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 7: Roadtone Co was established on July 27, 2004 in the PRC as a limited liability company.

Note 8: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company. It was previously known as "Kinghing Securities Co., Ltd." before being acquired by Shangsan Co.

Note 9: Tianma Futures was established on September 7, 1995 in the PRC as a limited liability Company.

All of the Company's subsidiaries are operating in the PRC. None of them had in issue any debt securities at the end of the year.

45. COMPARATIVE FIGURES

Certain comparative figures including Note 9, have been reclassified to conform with the current year's presentation.

Corporate Information

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Zhan Xiaozhang (General Manager)
Zhang Jingzhong
Jiang Wenyao

NON-EXECUTIVE DIRECTORS

Zhang Luyun
Zhang Yang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Tung Chee Chen
Zhang Junsheng
Zhang Liping

SUPERVISORS

Ma Kehua
Fang Zhexing
Zheng Qihua
Jiang Shaozhong
Wu Yongmin

COMPANY SECRETARY

Zhang Jingzhong

AUTHORIZED REPRESENTATIVES

Chen Jisong
Zhang Jingzhong

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China Construction Bank, Zhejiang Branch
Shanghai Pudong Development Bank, Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

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H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

LONDON STOCK EXCHANGE PLC

Code: ZHEH

ADRS INFORMATION

US Exchange: OTC
Symbol: ZHEXY
CUSIP: 98951A100
ADR: H Shares 1:30

CORPORATE BOND LISTING INFORMATION

The Shanghai Stock Exchange
Symbol: 03 滬杭甬
Code: 120308

WEBSITE

www.zjec.com.cn

Location Map of Expressways in Zhejiang Province