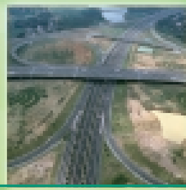
2008 Annual Report

Anhui Expressway Company Limited

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

(Stock Code : 0995)

Contents

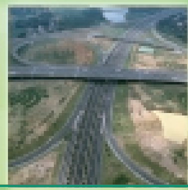
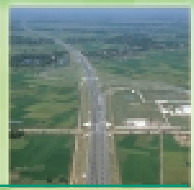

Important Notice

The Board of the Directors, the Supervisory Committee and the Directors, Supervisors and the Senior Management of Anhui Expressway Company Limited (the "Company") hereby warrant that there are no false accounts, misleading statements or significant omissions of information contained in this report, and jointly and individually accept responsibility as to the truthfulness, accuracy and completeness of its contents.

Mr. Wang Shui, Chairman, Mr. Li Yungui, Director and General Manager and Ms. Liang Bing, Manager of the Financial D epartment of the Company hereby confirm that the financial statement contained in this Annual Report is true and complete. The Audit Committee of the Company reviewed the financial accounts.

I. General Information

Official Chinese name of the Company	: 安徽皖通高速公路股份有限公司
Official English name of the Company	: Anhui Expressway Company Limited
Abbreviation in Chinese	: 皖通高速
Abbreviation in English	: Anhui Expressway
Legal representative of the Company	: Wang Shui
Secretary to the Board of the Company	: Xie Xinyu
Telephone	: 0551-5338681
Representative of Securities Affairs	: Han Rong, Ding Yu
Telephone	: 0551-5338697 (direct) 0551-5338699 (general)
Fax	: 0551-5338696
E-mail address	: wtgs@anhui-expressway.cn
Contact address	: 520 Wangjiang West Road, Hefei, Anhui Province
Registered address of the Company	: 669 Changjiang West Road, Hefei, Anhui Province
Postal code	: 230088
Business address of the Company	: 520 Wangjiang West Road, Hefei, Anhui Province
Postal code	: 230088
Business address of the Company in Hong Kong	: 5th Floor, Jardine House, 1 Connaught Place, Hong Kong
Website of the Company	: http://www.anhui-expressway.cn
E-mail address of the Company	: wtgs@anhui-expressway.cn
Newspapers designated for publishing report	: Shanghai Securities Post and China Securities Post
Websites designated for disclosure of annual report	: http://www.sse.com.cn http://www.hkex.com.hk http://www.anhui-expressway.cn
Addresses designated for keeping annual report	: Shanghai Stock Exchange, 528 Pudong South Road, Shanghai Hong Kong Registrars Limited, 46th Floor, Hopewell Center, 183 Queen's Road East, Wanchai,Hong Kong Company's head office at 520 Wangjiang West Road, Hefei, Anhui Province

Corporate Profile

Stock Exchange on which the Company's shares are listed	:	A Shares	:	Shanghai Stock Exchange
		Stock code	:	600012
		Short names	:	Wantong Expressway
		H Shares	:	The Stock Exchange of Hong Kong Limited
		Stock code	:	0995
		Short names	:	Anhui Expressway

Date and Place of initial registration of the Company	:	15 August 1996 219 An'qing Road, Hefei, Anhui Province
Date and Place of latest change in registration	:	28 July 2006 669 Changjiang West Road, Hefei, Anhui Province
Registration number of enterprise legal person business license	:	340000400002623 (1-1)
Tax registration number	:	Di Shui Zhi Zi No. 340103148973087 Guo Shui He Guo Si Zi No. 340104148973087
Organizational institution code	:	14897908-7
PRC Accountants	:	PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co.,Ltd 11th Floor, PricewaterhouseCoopers Center, Hubin Road, Shanghai
Hong Kong Accountants	:	PricewaterhouseCoopers Certified Public Accountants 22nd Floor, Prince's Building, Central, Hong Kong
PRC Legal Adviser	:	Anhui Expressway Law Office 19th Floor, Wangcheng Mansion, 248 Changjiang West Road, Hefei, Anhui, the PRC
Hong Kong Legal Adviser	:	Gallant Y.T.Ho & Co 5th Floor, Jardine House, 1 Connaught Place, Hong Kong
Domestic share registrar	:	China Securities Central Clearing and Registration Corporation, Shanghai Branch, 36th Floor, China Insurance Mansion, 166 Lujiazui East Road, Shanghai
Overseas share registrar	:	Hong Kong Registrars Limited, 46th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

II. Corporate Profile:

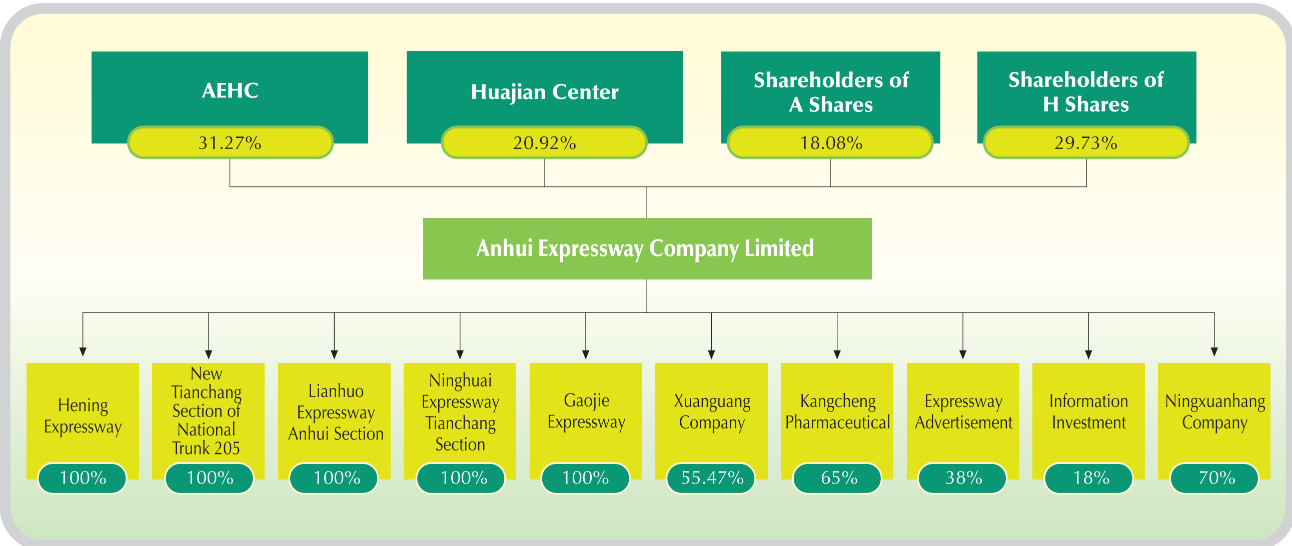
Anhui Expressway Company Limited (the "Company") was reorganized and incorporated on 15 August 1996 as a joint stock limited company in Anhui Province, the People's Republic of China (the "PRC"). At present, the Company's registered capital was RMB1,658,610,000.

The Company is principally engaged in the operation and management of toll expressways and relevant business in Anhui Province, the PRC.

The Company is the first PRC highway company listed in Hong Kong. It is also the only listed highway company in Anhui Province. On 13 November 1996, H Shares issued by the Company were listed on The Stock Exchange of Hong Kong Limited (Stock code: 0995). On 7 January 2003, A Shares issued by the Company were listed on Shanghai Stock Exchange (Stock code: 600012).

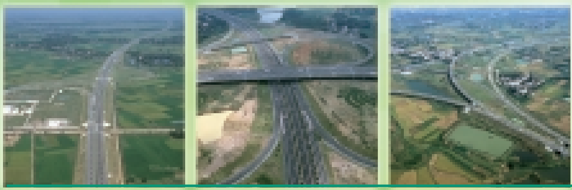
The core business of the Company is the investment, construction, operation and management of toll roads. The Company owns total or partial equities of Hening Expressway, New Tianchang Section of National Trunk 205, Gaojie Expressway, Xuanguang Expressway, Ninghuai Expressway Tianchang Section and Lianhuo Expressway Anhui Section, which are toll highways in Anhui Province. As of 31 December 2008, the Company held the total mileage of 426km with a total assets of RMB8,587,027 thousands.

As of 31 December 2008, the structure of the Company, subsidiaries and associated companies (the "Group"):

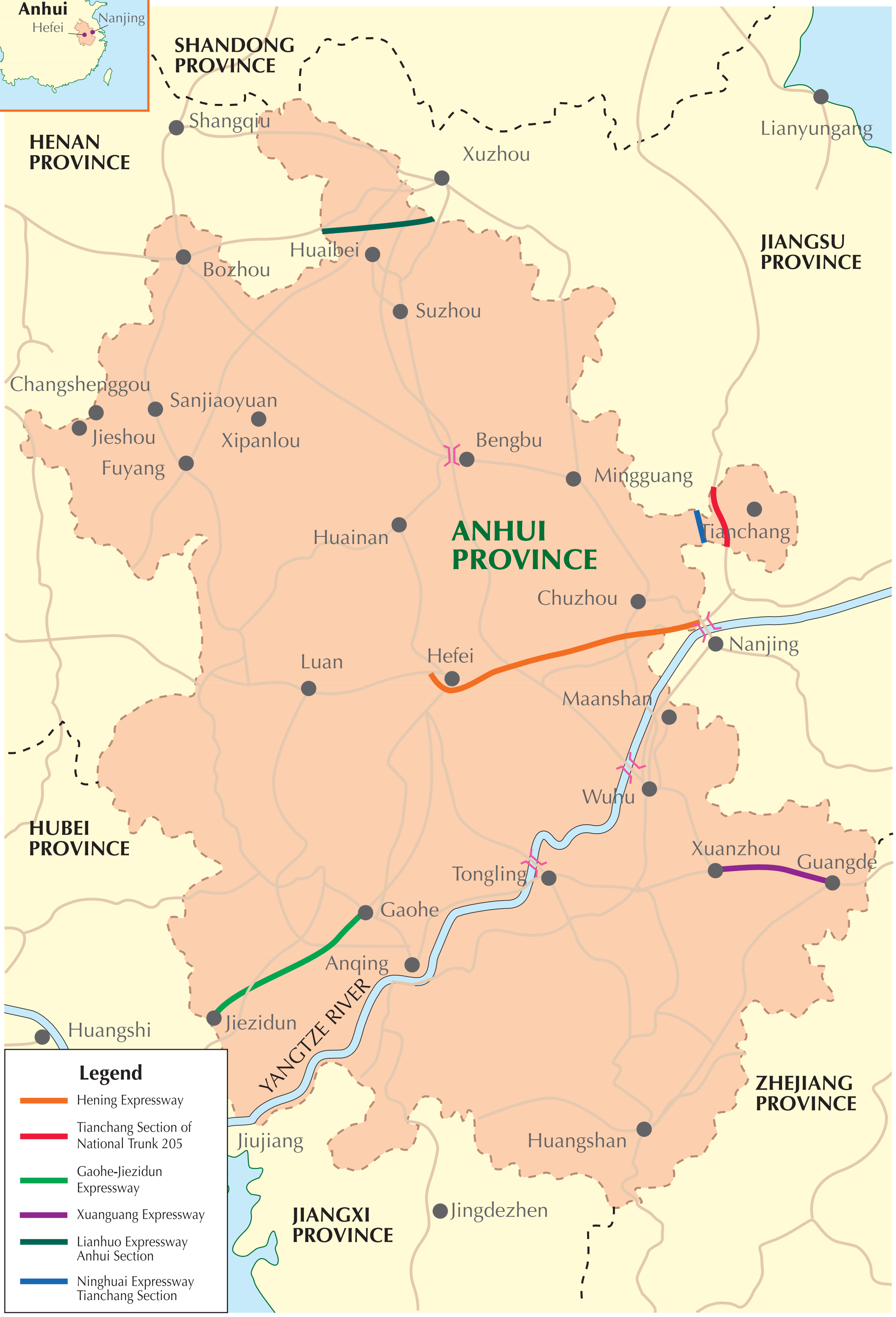


Notes:

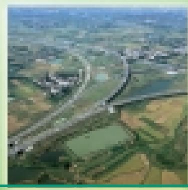
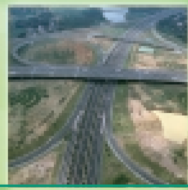
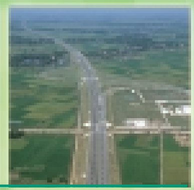
"AEHC"	Means	Anhui Expressway Holding Corporation
"Huajian Center"	Means	Huajian Transportation Economic Development Center
"Gaojie Company"	Means	Anhui Gaojie Expressway Company Limited (Has been de-registered)
"Xuanguang Company"	Means	Xuanguang Expressway Company Limited
"Kangcheng Pharmaceutical"	Means	Anhui Kangcheng Pharmaceutical Company Limited
"Expressway " Advertisement	Means	Anhui Expressway Advertisement Company Limited
"Information Investment"	Means	Hefei Information Investment Company Limited
"Xuancheng Highway Management"	Means	Xuancheng Highway Construction and Management Company Limited
"Anlian Company"	Means	Anhui Anlian Expressway Company Limited
"Expressway Investment"	Means	Anhui Expressway Investment Company Limited
"Ningxuanhang Company"	Means	Anhui Ningxuanhang Expressway Investment Company Limited
"Xuancheng Transportation and Construction"	Means	Xuancheng City Transportation and Construction Investment Company Limited
"Yanjiang Expressway"	Means	Anhui Provincial Yanjiang Expressway Company Limited
"Hehuaifu Expressway'	Means	Anhui Provincial Hehuaifu Expressway Company Limited
"Yida Company'	Means	Anhui Provincial Yida Expressway Service Area Operation and Management Company Limited
"Expressway Real Estate"	Means	Anhui Expressway Real Estate Company Limited
"Xiandai Transportation"	Means	Anhui Provincial Xiandai Transportation Facilities Engineering Company Limited
"Inspection Scientific Center"	Means	Anhui Provincial Expressway Experiment Inspection Scientific and Research Center



Highway Projects Map of Anhui Expressway Company Limited



Accounting Data and Business Highlights

The 2008 financial statements of the Group were audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Company Limited and PricewaterhouseCoopers Certified Public Accountants respectively who issued unqualified audit opinions on these financial statements.

I. PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE PRC (the "PRC Accounting Standards")

1. Key accounting data of the Group (Unit: RMB'000)

(1) Key financial indicators during the reporting period.

Indicators	Amount
Operating profit	950,800
Total profit	987,225
Net profit attributable to shareholders of listed company	691,802
Net profit after extraordinary items attributable to shareholders of listed company	664,491
Net cash flows from operating activities	1,033,543

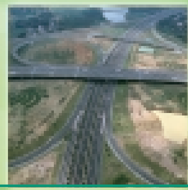
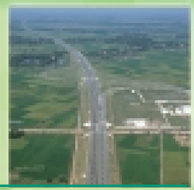
(2) Key accounting data and financial indicators of the Group for the past three years up to the end of the reporting period:

Key accounting data	2008	2007 After adjustment	2007 Before adjustment	Increase/decrease of the reporting period compared with that of last year (%)	2006
Operating income	**1,689,557**	1,688,879	1,688,879	0.04	1,654,873
Total profit	**987,225**	1,123,463	1,098,614	-12.13	963,641
Net profit attributable to shareholders of listed company	**691,802**	529,771	517,448	30.59	815,428
Net profit after extraordinary items attributable to shareholders of listed company	**664,491**	655,389	618,410	1.39	814,545
Basic earnings per share (RMB)	**0.417**	0.319	0.312	30.72	0.492
Diluted earnings per share (RMB)	**0.417**	0.319	0.312	30.72	0.492
Basic earnings per share after extraordinary items (RMB)	**0.401**	0.395	0.373	1.52	0.491
Returns on net assets (fully diluted) (%)	**13.84**	11.42	11.19	2.42	18.03
Returns on net assets (weighted average) (%)	**14.36**	11.52	11.27	2.84	16.16
Returns on net assets after extraordinary items (fully diluted) (%)	**13.30**	14.13	13.37	-0.83	18.01
Returns on net assets after extraordinary items (weighted average) (%)	**13.79**	14.25	13.47	-0.46	16.14
Net case flows from operating activities	**1,033,543**	1,165,648	1,165,648	-11.33	1,088,885
Net case flows from operating activities per share (RMB)	**0.6231**	0.7028	0.7028	-11.34	0.6565

	At the end of 2008	At the end of 2007 After adjustment	At the end of 2007 Before adjustment	Change at the end of the reporting period compared with that at the end of last year (%)	At the end of 2006
Total assets	**8,587,027**	7,387,814	7,387,902	16.23	6,805,026
Holders' equities (or shareholders' equities)	**4,998,007**	4,637,928	4,625,384	7.76	4,522,589
Net asset per share attributable to shareholders of listed company (RMB)	**3.01**	2.80	2.79	7.50	2.73

(3) Extraordinary items deducted and amounts involved: (Unit: RMB'000)

Extraordinary items	Amount	Explanation
Loss from disposals of non-current assets	-24,090	Scrap loss of fixed assets
Sporadic fiscal returns	59,120	The Company received fiscal returns of enterprise income tax from the Department of Finance of Anhui Province in 2008
Government subsidies charged to the current gains/losses	2,000	2008 amortization amount of construction funds subsidies of Ninghuai Expressway (Tianchang Section) provided by Jiangsu Provincial Expressway Construction Headquarter in 2007, which is under Jiangsu Province
Other non-operating income	872	
Other non-operating expenses	-1,477	
Impact of income tax on the above extraordinary items	-9,106	
Total	27,319	

II. PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG (the "Hong Kong Accounting Standards")

Summary of results

For the year ended 31 December 2008

Unit: RMB'000

	2008	2007 (Restated)	2006	2005	2004
Revenue	**2,963,462**	2,480,808	1,604,891	1,494,704	1,200,868
Operating profit before taxation	**969,642**	1,115,823	1,035,043	890,006	619,267
Equity holders of the Company	**670,700**	543,243	931,424	686,103	479,800
Basic earnings per share (RMB)	**0.4044**	0.3275	0.5616	0.4137	0.2893

Summary of Assets

As at 31 December 2008

Unit: RMB'000

	2008	2007 (Restated)	2006	2005	2004
Total assets	**8,739,408**	7,555,858	7,711,396	7,836,196	7,358,964
Total liabilities	**3,387,759**	2,542,526	2,249,935	2,007,425	2,361,445
Total equity (excluding minority interests)	**5,131,428**	4,792,450	5,396,351	5,628,696	4,796,389
Equity per share (RMB) (excluding minority interests) (RMB)	**3.0938**	2.8894	3.2535	3.3936	2.8918

III. MAJOR DIFFERENCE BETWEEN FINANCIAL STATEMENTS PREPARED IN ACCORDANCE WITH DIFFERENT ACCOUNTING STANDARDS

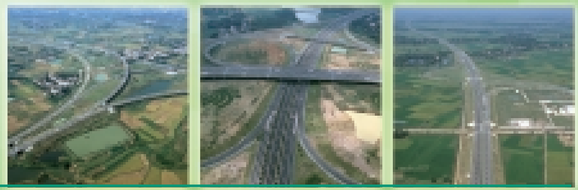
Reconciliation between PRC and HKGAAP Accounts

		2008 RMB'000		2007 (Restated) RMB'000	
		Owners' equity attributable to shareholders of the Company	**Net profit attributable to shareholders of the Company**	Owners' equity attributable to shareholders of the Company	Net profit attributable to shareholders of the Company
Amount presented in accordance with the CAS		**4,998,008**	**691,802**	4,637,928	529,771
Reconciliation to HKAS					
1. Valuation and depreciation difference of fixed assets	(a)	**6,276**	**(7,431)**	13,707	(1,251)
2. Valuation and amortization difference of Concession intangible assets	(a)	**171,618**	**(9,722)**	181,340	(9,722)
3. Deferred Taxes	(b)	**(44,474)**	**(3,949)**	(40,525)	24,445
Amount presented in accordance with HKFRS (Audited by PricewaterhouseCoopers)		**5,131,428**	**670,700**	4,792,450	543,243

Reconciliation items

(a) In order to issue "H" share in Hong Kong, the toll roads and related land use rights were valued by a PRC certified public valuer and an international certified public valuer on 30th April and 15th August 1996 respectively. The fair value valuated by the international certified public valuer is higher than the PRC certified public valuer's result by RMB319,000,000, which was included in the financial statements prepared in accordance with HKFRS. These differences lead to the reconciliation items presented above.

(b) As mentioned in note (a), deferred tax is recognized based on the temporary differences arising from the valuation and depreciation/amortisation difference of fixed assets and concession intangible assets, which leads to the reconciliation items presented above.



I. CHANGES OF SHARE CAPITAL

(I) Change of Share Capital

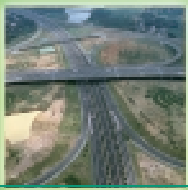
(Unit: thousand shares)

	Before changes		Increases (+) or Decreases (-)					After changes	
	Number of shares	Percentage (%)	Allotment	Bonus	Transfer from reserves	Others	Sub-total	Number of shares	Percentage (%)
Restricted circulating shares									
1. State-owned Shares	435,650.5	26.27				-82,930.5	-82,930.5	352,720	21.27
2. State-owned legal person shares	264,088.5	15.92				-82,930.5	-82,930.5	181,158	10.92
3. Other domestic shares									
Of which: Domestic legal person shares									
Domestic individual shares									
4. Overseas shares									
Of which: Overseas legal person shares									
Overseas individual shares									
Total restricted circulating shares	699,739	42.19				-165,861	-165,861	533,878	32.19
Unrestricted circulating shares									
1. Renminbi-denominated ordinary shares	465,861	28.08				+165,861	+165,861	631,722	38.08
2. Domestic-listed foreign shares									
3. Overseas-listed foreign shares	493,010	29.73						493,010	29.73
4. Others									
Total unrestricted circulating shares	958,871	57.81				+165,861	+165,861	1,124,732	67.81
Total shares	1,658,610	100				0	0	1,658,610	100

(II) Change of Restricted Shares

Unit: thousand shares

Name of shareholders	Restricted shares at the beginning of the year	Shares free from the restricted shares in this year	Added restricted shares in this year	Restricted shares at the end of the year	Reason for restriction	Trading date of restricted shares
Anhui Expressway Holding Corporation	435,650.5	82,930.5		352,720	Undertakings of Share Segregation Reform	3 April 2008
Huajian Transportation Economic Development Center	264,088.5	82,930.5		181,158	Undertakings of Share Segregation Reform	3 April 2008
Total	699,739	165,861		533,878	—	—


(III) Issue of share and Listing

1. Issue of shares for the last three years

For three years as at the end of the reporting period, the Company did not issue new shares.

2. The total number of shares and the change of share structure

During the reporting period, total number of shares of the Company did not change. For the second restricted shares' circulating, the share structure of the Company changed as follows due to the circulating of restricted shares: restricted shares of 533,878,000, as a percentage of 32.19% to the total share capital; unrestricted shares of 1,124,732,000, as a percentage of 67.81% to the total share capital.

3. Employees shares

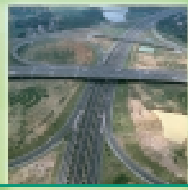
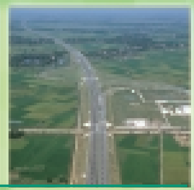
The Company did not issue employees shares.

(IV) Purchase, Sale and Redemption of the Company's Shares

During the reporting period, the Company did not repurchase any of its listed shares, nor purchase or resold any listed shares of the Company.

(V) Sufficiency of Public Float

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

II. SHAREHOLDERS

1. Number of shareholders as at the end of the reporting period

As of 31 December 2008, the total number of shareholders, the ten largest shareholders and the ten largest shareholders of unrestricted circulating shares in accordance with the shareholders' register provided by the Hong Kong and domestic registrars of the Company were as follows:

The total number of shareholders	The total number of shareholders of the Company was 76,948, out of which there were one state-owned shareholder, one state-owned legal person shareholder, 76,885 A shareholders and 61 H shareholders.

The ten largest shareholders of the Company

Name of Shareholders	Nature of shareholders	Percentage	Total holding shares at the end of 2008	Change during the reporting period	Number of restricted shares	Shares pledged or locked-up
Anhui Expressway Holding Corporation	State-owned shareholders	31.27%	518,581,000	0	352,720,000	No
HKSCC NOMINEES LIMITED (agent)	Overseas shareholders	29.37%	487,129,898	+122,000	—	Not known
Huajian Transportation Economic Development Center	State-owned shareholders	20.92%	347,019,000	0	181,158,000	No
Industrial and Commercial Bank of China-E Fund Value Select Stock Securities Investment Fund	Others	0.92%	15,198,419	Newly added	—	Not known
Shenyinwanguo- Agriculture Bank of China- BNP PARIBAS	Others	0.31%	5,193,953	-27	—	Not known
ARSENTON NOMINEES LIMITED (agent)	Overseas shareholders	0.29%	4,802,000	0	—	Not known
National Social Insurance Fund-108 Composition	Others	0.21%	3,500,000	-6,000,000	—	Not known
Agriculture Bank of China-ChinaAME Stable growth mixed Securities Investment Fund	Others	0.20%	3,400,000	-2,805,196	—	Not known
Bank of Communications-E Fund Kexun Stock Securities Investment Fund	Others	0.18%	2,984,781	Newly added	—	Not known
Shanxi Huiteng International Cargo Agent Company Limited	Others	0.16%	2,701,699	Newly added	—	Not known

The ten largest shareholders of unrestricted circulating shares of the Company

Name of shareholders	The Number of unrestricted circulating shares	Type of shares
HKSCC NOMINEES LIMITED (agent)	487,129,898	Overseas-listed foreign shares
Anhui Expressway Holding Corporation	165,861,000	Renminbi-denominated ordinary shares
Huajian Transportation Economic Development Center	165,861,000	Renminbi-denominated ordinary shares
Industrial and Commercial Bank of China-E Fund Value Select Stock Securities Investment Fund	15,198,419	Renminbi-denominated ordinary shares
Shenyinwanguo- Agriculture Bank of China- BNP PARIBAS	5,193,953	Renminbi-denominated ordinary shares
ARSENTON NOMINEES LIMITED (agent)	4,802,000	Overseas-listed foreign shares
National Social Insurance Fund-108 Composition	3,500,000	Renminbi-denominated ordinary shares
Agriculture Bank of China-ChinaAME Stable growth mixed Securities Investment Fund	3,400,000	Renminbi-denominated ordinary shares
Bank of Communications-E Fund Kexun Stock Securities Investment Fund	2,984,781	Renminbi-denominated ordinary shares
Shanxi Huiteng International Cargo Agent Company Limited	2,701,699	Renminbi-denominated ordinary shares

Explanations of connected relationship between the above-mentioned shareholders and consistent action

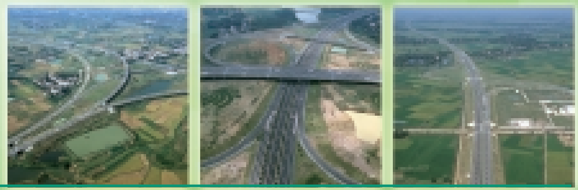
There are no connected relationship between the State-owned Shareholders and the State-owned legal person Shareholders in the above chart. The connected relationship amongst other shareholders cannot be ascertain, nor be known whether they belong to the consistent action stipulate in "Provisions on Information disclosure Management of Shareholders' Shareholding changes of Listed Companies.

Notes: According to the shareholders' register provided by HKSCC NOMINEES LIMITED, H Shares held by which represented the holding of many clients.

2. Shares held by restricted shareholders and restricted condition

Name of holders of restricted shares	Restricted circulating shares (share)	As a % of the total share capital	Trading date	Committed Restricted conditions
Anhui Expressway Holding Corporation	352,720,000	21.27%	3 April 2009	Note
Huajian Transportation Economic Development Center	181,158,000	10.92%	3 April 2009	

Note: Holders of Non-circulating Shares committed that within twelve months from the day of granting listing status to the restricted circulating shares of the Company held by them, they would not trade or transfer such shares, and that, within twelve and twenty four months, respectively, subsequent to the aforesaid period, the numbers of the originally Non-circulating Shares subsequently listed for trading on the stock exchange would not exceed five per cent and ten per cent, respectively, of the total number of shares of the Company; Within 3 years from the implementation date of the Share Segregation Reform Proposal, the Shareholders of Non-circulating Shares will sell their shares with the price not less than RMB8.28 (such price to be calculated on an ex-rights basis if dividends distribution, allotment of shares and capitalization of capital reserve are implemented).



3. Persons who have interests of short positions disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance

As at 31 December 2008, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons who were, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities of Futures Ordinance, was directly or indirectly, to be interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were set out as follows:

Names	At end of period (shares)	Change during the reporting period	Type of shares	As a % of total share capital	Pledged or locked-up
Anhui Expressway Holding Corporation	518,581,000 (L)	—	State-owned shares	31.27%	No
Huajian Transportation Economic Development Center	347,019,000 (L)	—	State-owned legal person shares	20.92%	No

Names	At end of period (shares)	Change	Type of shares	As a % of total H Shares	Pledged or locked-up
Commonwealth Bank of Australia	74,406,000 (L)	+9,452,000	H Shares	15.09%	Not known
JPMorgan Chase & Co.	57,908,322 (L) 57,908,322 (Shares attributable to lend)	+3,508,465 +3,508,465	H Shares	11.75% 11.75%	Not known
The Bank of New York Mellon Corporation	40,818,030 (L)	Not clear	H Shares	8.28%	Not known
Colonial First State Group Ltd	33,358,000 (L)	Not clear	H Shares	6.77%	Not known
Colonial Holding Company (No.2) Pty Limited	33,358,000 (L)	Not clear	H Shares	6.77%	Not known
Colonial Holding Company Pty Ltd.	33,358,000 (L)	Not clear	H Shares	6.77%	Not known
Colonial Ltd	33,358,000 (L)	Not clear	H Shares	6.77%	Not known
First State Investment Managers (Asia) Ltd	33,358,000 (L)	Not clear	H Shares	6.77%	Not known
First State Investments (Bermuda) Ltd	33,358,000 (L)	Not clear	H Shares	6.77%	Not known
The Colonial Mutual Life Assurance Society Ltd	33,358,000 (L)	Not clear	H Shares	6.77%	Not known
First State (Hong Kong) LLC	32,166,000 (L)	Not clear	H Shares	6.52%	Not known
First State Investments (Hong Kong) Limited	30,712,000 (L)	Not clear	H Shares	6.23%	Not known
First State Investments (Singapore)	30,608,000 (L)	Not clear	H Shares	6.21%	Not known
First State Investments Holdings (Singapore) Limited	30,608,000 (L)	Not clear	H Shares	6.21%	Not known

Names	At end of period (shares)	Change	Type of shares	As a % of total H Shares	Pledged or locked-up
The Bank of New York Mellon	25,289,051 (L) 14,819,615 (Shares attributable to lend)	Not clear	H Shares	5.13% 3.01%	Not known
The Bank of New York Mellon Corporation	25,091,436 (L) 14,590,000 (Shares attributable to lend)	Not clear	H Shares	5.09% 2.96%	Not known
FIL Limited	24,768,000 (L)	Not clear	H Shares	5.02%	Not known

L = long Position
P = Lending Pool

Save as disclosed herein, the Directors are not aware of any person who was, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, was directly or indirectly, to be interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any options in respect of such capital as at 31 December 2008.

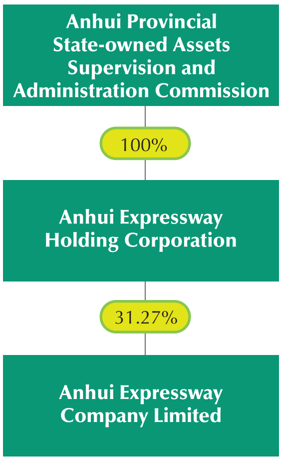
4. The controlling shareholder of the Company

During the reporting period, the controlling shareholder of the Company was unchanged and its basic information is as follows:

Name	:	Anhui Expressway Holding Corporation
Legal representative	:	Wang Shui
Date of establishment	:	27 April 1993
Registered capital	:	RMB4,525,819,000
Nature of company	:	State-owned enterprise
Business scope	:	Planning, design, supervision, technical consultation and ancillary service of highway construction, Real Estate investment and motor vehicles fittings and storage.

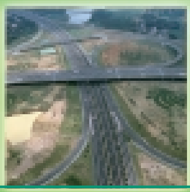
5. Information of the real controller of the controlling shareholder of the Company

The controlling shareholder of the Company — Anhui Expressway Holding Corporation is a state-owned enterprise and is under the control of Anhui provincial State-owned Assets Supervision and Administration Commission.



6. Other legal person shareholders who hold more than 10% of the share capital as at of the reporting period

Name	:	Huajian Transportation Economic Development Center (“Huajian Center”)
Legal representative	:	Fu Yuning
Date of establishment	:	18 December 1993
Registered capital	:	RMB500,000,000
Nature of company	:	Collectively-owned enterprise
Business scope	:	Huajian Center is principally engaged in the comprehensive development and contracting construction of roads, wharves, harbors and sea-lanes; development, research and production of new technologies, new products and new materials for transportation infrastructure facilities and sales of products; sales of building materials, mechanical and electrical equipment, automobiles (except cars) and fittings, hardware and daily necessities; economic information consultation and personnel training.


I. DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Basic information of existing directors, supervisors and senior management

Name	Sex	Age	Position	Terms of office	Rewards drawn from the Company of the year (RMB'000)
Wang Shui	M	60	Chairman	August 2008-August 2011	650
Li Yungui	M	57	Director, General Manager	August 2008-August 2011	390
Tu Xiaobei	M	55	Deputy Chairman	August 2008-August 2011	390
Li Junjie	M	49	Director, Deputy General Manager	August 2008-August 2011	135
Liu Xianfu	M	45	Non-executive Director	August 2008-August 2011	30
Meng Jie	M	32	Non-executive Director	August 2008-August 2011	30
Leung Man Kit	M	56	Independent Director	August 2008-August 2011	107.5
Guo Shan	F	43	Independent Director	August 2008-August 2011	67.5
Li Mei	F	45	Independent Director	August 2008-August 2011	67.5
Li Huaijie	M	61	Chairman of Supervisory Committee	August 2008-August 2011	390
Yang Yicong	M	53	Supervisor	August 2008-August 2011	390
Dong Zhi	M	29	Supervisor	August 2008-August 2011	22.5
Xie Xinyu	M	42	Deputy General Manager, Company Secretary	August 2008-August 2011	273.33
Wang Changyin	M	46	Deputy General Manager	August 2008-August 2011	273.33
Liang Bing	F	42	Manager of Financial Department	December 2002 up to now	191.93
Zhang Wensheng	M	62	Non-executive Director	August 2005-August 2008	37.5
Li Zhanglin	M	42	Non-executive Director	August 2005-August 2008	37.5
He Kun	F	32	Supervisor	August 2005-August 2008	25

The above persons did not hold shares of the Company at the beginning of, at the end of and during the reporting period.

2. Positions held by Directors, Supervisors and Senior Management in AEHC and Huajian Center in 2008

Name	Name of shareholders	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Wang Shui	AEHC	General Manager	From July 1998 up to now	No
Li Yungui	AEHC	Deputy General Manager	From August 2006 to November 2008	No
Tu Xiaobei	AEHC	Deputy General Manager	From July 1998 up to now	No
Li Huaijie	AEHC	Deputy Secretary of the Party Committee	From August 2006 to December 2008	No
Liu Xianfu	Huajian Center	Chief Financial Officer	From April 2007 up to now	Yes
Meng Jie	Huajian Center	Manager Assistant of First Department of Shares Management	From August 2002 up to now	Yes
Dong Zhi	Huajian Center	First Department of Shares Management	From April 2004 up to now	Yes
Zhang Wensheng	Huajian Center	Deputy General Manager	From October 1998 to December 2007	Yes
Li Zhanglin	Huajian Center	Deputy Manager of Securities Management Department	From February 2005 up to now	Yes
He Kun	Huajian Center	Project Manager of Planning and Financial Department	From May 2000 up to now	Yes

3. Positions held by Directors, Supervisors and Senior Management in Other Units

Name	Other units in which they hold post	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Tu Xiaobei	Xuanguang Expressway Company Limited	Chairman	From July 1998 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Chairman	From April 2008 up to now	No
	Anhui Liuqian Expressway Company Limited	Chairman	From March 2004 up to now	No
	Anhui Guangci Expressway Company Limited	Chairman	From February 2005 up to now	No
	Anhui Provincial Angao Investment Company Limited	Chairman	From February 2004 up to now	No
	Shanghai Angao Real Estate Investment Company Limited	Chairman	From July 2002 up to now	No
Liu Xianfu	Guangxi Wuzhou Transportation Company Limited	Deputy Chairman	From August 2003 up to now	Yes
	Hubei Chutian Expressway Company Limited	Director	From May 2006 up to now	Yes
	Northeast Expressway Company Limited	Chairman of Supervisory Committee	From July 2008 up to now	Yes
	Sichuan Expressway Company Limited	Supervisor	From December 2007 to January 2009	Yes
	Sichuan Expressway Company Limited	Director	From January 2009 up to now	Yes
Meng Jie	Guangxi Wuzhou Transportation Company Limited	Director	From May 2005 up to now	Yes
	North China Expressway Company Limited	Director	From August 2008 up to now	Yes
	Northeast Expressway Company Limited	Director	From July 2008 up to now	Yes

Name	Other units in which they hold post	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Leung Man Kit	Huading Group Holding Company Limited	Independent Non-executive Director	From November 2005 up to now	Yes
	Netease.Com Inc	Independent Non-executive Director	From July 2002 up to now	Yes
	Junefield Department Store Group Limited	Independent Non-executive Director	From December 2002 up to now	Yes
	Golden Harvest Entertainment (Holdings) Limited	Independent Non-executive Director	From January 2008 up to now	Yes
Li Mei	Jiahe Life Insurance Company Limited	General Manager of Financial Department	From February 2006 up to now	Yes
Guo Shan	Beijing S & P Law Firm	Partner, Deputy Director	From June 1998 up to now	Yes
Yang Yicong	Xuanguang Expressway Company Limited	Chairman of Supervisory Committee	From July 1998 up to now	No
	Anhui Expressway Advertisement Company Limited	Chairman of Supervisory Committee	From August 2008 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Supervisor	From April 2008 up to now	No
Xie Xinyu	Anhui Kangcheng Pharmaceutical Company Limited	Chairman	From July 2008 up to now	No
	Hefei Information Investment Company Limited	Director	From March 2007 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Director	From April 2008 up to now	No
Wang Changyin	Xuanguang Expressway Company Limited	Director	From March 2006 up to now	No
Liang Bing	Xuanguang Expressway Company Limited	Chief Financial Officer	From July 1998 up to now	No
	Anhui Kangcheng Pharmaceutical Company Limited	Chief Financial Officer	From September 2002 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Chief Financial Officer	From April 2008 up to now	No
Zhang Wensheng	Northeast Expressway Company Limited	Deputy Chairman	From July 1999 to December 2007	Yes
	Sichuan Expressway Company Limited	Deputy Chairman	From May 2001 to December 2007	Yes
	Guangxi Wuzhou Transporttation Company Limited	Deputy Chairman	From May 2002 to December 2007	Yes
	Jiangsu Expressway Company Limited	Director	From May 2003 to December 2007	Yes
Li Zhanglin	Northeast Expressway Company Limited	Supervisor	From May 2005 to July 2008	Yes
He Kun	Sichuan Expressway Company Limited	Supervisor	From May 2001 to December 2007	No
	Jiangsu Ningjingyan Expressway Company Limited	Supervisor	From April 2005 to November 2007	No
	Hubei Chutian Expressway Company Limited	Supervisor	From November 2007 up to now	No

II. CHANGES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT DURING THE REPORTING PERIOD

Name	**Position**	**Leaving reason**
Zhang Wensheng	Non-executive Independent	Round of election
Li Zhanglin	Non-executive Independent	Round of election
He Kun	Supervisor	Round of election

The fifth Board of Directors and Supervisory Committee were elected at the Annual General Meeting held on 23 May 2008. The fifth Board of Directors comprises of Mr. Wang Shui, Mr. Li Yungui, Mr. Tu Xiaobei, Mr. Li Junjie, Mr. Liu Xianfu, Mr, Meng Jie, Mr. Leung Man Kit, Ms. Li Mei and Ms. Guo Shan, Mr. Wang Shui was elected as Chairman and Mr. Tu Xiaobei was elected as Deputy Chairman. The fifth Supervisory Committee comprises of Mr. Li Huaijie, Mr. Yang Yicong and Mr. Dong Zhi, Mr. Li Huaijie was elected as Chairman of the Supervisory Committee.

Mr. Li Yungui was appointed as the General Manager of the Company; Mr. Li Junjie, Mr. Xie Xinyu and Mr.Wang Changyin were appointed as the Deputy General Manager of the Company; Mr. Xie Xinyu was appointed as Company Secretary of the Company; Mr. Li Yungui and Mr. Xie Xinyu were appointed as authorized representative pursuant to Rule 3.05 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

The Board of Directors of the Company pays high value for his performance during his terms and expresses great thanks for his diligent work.

III. EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. The emoluments of the directors and supervisors were considered and approved by the General Meeting of the Company. The emoluments of Directors and supervisors were paid according to their respective emolument contracts signed with the Company. The emoluments of the senior managements were considered and approved by the Board of the Company. Senior management were paid according to their respective emolument contracts signed with the Company.

2. During the year, all of the five highest paid individuals of the Company were directors and supervisors of the Company.

IV. SENIOR MANAGEMENT'S PERFORMANCE APPRAISAL AND INCENTIVE

The Human Resources and Remuneration Committee of the board of the company is responsible for the performance appraisal of senior management and for formulating and implementing medium- and long-term incentive plans to offer corresponding incentives to those with outstanding performance. The Company will also actively explore a long-term incentive mechanism based on shareholding for implementation in due course.

V. OTHER INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGERMENT

1. Service contract of directors and supervisors

Each of the executive directors and supervisors has entered into a service contract with the Company for a term of three years starting from their respective dates of appointment. Terms of such contracts are identical in all material respects and are set out as follows:

(1) Each service contract was in effect from 17 August 2008 for a term of three years.

(2) According to the service contract, for the three years commencing from 17 August 2008, the chairman will receive a remuneration of RMB600 thousands annually. Every executive director will receive a remuneration of RMB360 thousands annually. In addition, the chairman and other executive directors will be entitled to receive bonuses of RMB50 thousands respectively and RMB30 thousands respectively after every year of completed service.

(3) For the three years commencing from 17 August 2008, each of the non-executive directors will receive an annual transportation allowance/a director's fee of RMB80 thousands respectively, each of the domestic independent non-executive directors will receive an annual transportation allowance/director's fee of RMB80 thousands respectively and each of the overseas independent non-executive directors will receive an annual transportation allowance/director's fee of RMB120 thousands respectively. Non-executive directors were not entitled to receive any bonus. Non-executive directors and independent non-executive directors were not entitled to receive any bonus nor required to enter into any service contract with the Company.

Save as disclosed above, no service contract which is terminable within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the directors or supervisors.

2. Directors' and supervisors' interests in contracts

During the reporting period, no director or supervisor was materially interested in any contract entered into by the Company, AEHC or any of its subsidiaries.

3. Interests held by directors and supervisor in competitive business

During the reporting period, according to the Listing Rules of the Stock Exchange of Hong Kong Limited, no director, supervisor or senior management was interested in any competitive business or potential competitive business.

4. Model code for securities transactions by directors and supervisors

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as the code governing the transactions of securities by the Directors and Supervisors. After making specific enquiry to all Directors and Supervisors, it is confirmed by the Company that the Directors and Supervisors of the Company had complied with the relevant standard as provided in such mode referred to above.

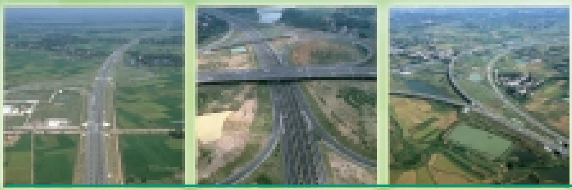
5. Independence of Independent Directors

The confirmations as prepared by all independent directors as to their independence were received by the Board of Directors. It was considered by the Board of Directors that the existing independent directors were complied with the relevant guidance as set out in Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited, and were still independent parties.

6. During the reporting period, the Group did not directly or indirectly provide loans or guarantee for loans for the directors, supervisors and senior management of the Company and controlling shareholders and their connected persons.

7. Interests to be disclosed

As at 31 December 2008, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in any shares, or underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests which he was taken or deemed to have under such provisions of the Securities and Futures Ordinance or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and the Takeovers Code.



VI. BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Biography of Existing Directors, Supervisors and Senior Management

(1) Directors

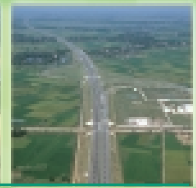
Executive Directors

Mr. Wang Shui, Born in 1949, Chairman of the Company, Senior Engineer. He was graduated from Hehai University and held post as the Deputy Commander of Anhui Expressway Engineering and Constructions Office and Deputy Chairman of Anhui Department of Communications, he has 30 years of rich experience in transportation. Mr. Wang has been the chairman of the first to forth Board of Directors, and he is the General Manager and Deputy Secretary of the Party Committee of AEHC commencing from July 1998. In 2000, his outstanding performance in corporate management was recognized by the provincial government and was awarded the "Contribution Prize" Golden Award and the "Provincial Model Worker". In 2003, Mr. Wang was awarded " The Second Anhui Ten Largest Economic Persons".

Mr. Li Yun Gui, Born in 1952, Director and General Manager, Senior Economist. He Graduated with a bachelor degree from Anhui Workers University in 1979 and subsequently obtained qualification of economic management studies from Central Party University, Mr. Li has over 30 years of experience in the field of transportation. He was the deputy chief of the administrative office of Anhui Department of Communications and the secretary of the Communist Party Committee of Anhui Expressway Administration Bureau. He was elected as the chairman of the first and second Supervisory Committee, and he was a director of the third and fourth Board and appointed as the General Manager of the Company. Mr. Li was the Deputy General Manager of AEHC from August 2006 to November 2008. In 2008, he was awarded the Anhui Provincial "May 1 Labor Medal" and the title of "Labor Competition Advanced Individual".

Mr. Tu Xiao Bei, Born in 1954, Senior Engineer, is the Vice Chairman of the Company. Mr. Tu graduated from Hefei Industrial University in 1984. Mr. Tu has held such positions as the head of the infrastructure division of Anhui Department of Communications and director of Anhui Expressway Administration Bureau successively. And he has over 30 years of experience in the field of transportation. Mr. Tu was appointed as a director of the first Board and the General Manager of the Company, he was elected as the vice Chairman of the Company by the second, third and fourth Board. Mr. Tu is now the Deputy General Manager of the AEHC, the Chairman of Xuanguang Expressway Company Limited and the Chairman of Ningxuanhang Expressway Investment Company Limited.

Mr. Li Jun Jie, Born in 1959, Postgraduate Diploma, is the Director and Deputy General Manager of the Company. He has held positions as deputy director of Organization Department and director of Propaganda Department of Anhui Communist Youth League, deputy director of Operation Division and Secretary of Party General Branch of Bengbu Administration Office of AEHC, Deputy General Manager of Anhui Expressway Company Limited, General Manager of Anhui Xiandai Transportation Economic Technology Development Center, General Manager of Anhui Expressway Real Estate Company Limited and Chairman of Anhui Provincial Expressway Advertisement Company Limited.



Non-Executive Directors

Mr. Liu Xian Fu, Born in 1964, Senior Accountant. Mr. Liu graduated from Changsha Communications University in 1984. He has held positions as staff member, deputy staff member, principal staff member, deputy director and director of Audit Bureau of the State Ministry of Communications, the Manager of Planning and Financial Department of Huajian Transportation Economic Development Center, Chief of Financial Department of China Merchants Group and the Supervisor of Hubei Chutian Expressway Company Limited and Northeast Expressway Company Limited. He is now the Chief Finance Officer of Huajian Transportation Economic Development Center and serves concurrently as the Deputy Chairman of Guangxi Wuzhou Transportation Company Limited, the Chairman of the Supervisory Committee of Northeast Expressway Company Limited, the Director of Hubei Chutian Expressway Company Limited and Sichuan Expressway Company Limited.

Mr. Meng Jie, Born in 1977, Engineer, Registered Consultation Engineer (Investment) Postgraduate Diploma. He graduated from Bridge and Tunnel Engineering Specialty in Hunan University in 2002. He has held the positions as the Supervisor of North China Expressway Company Limited and Guangxi Wuzhou Transportation Company Limited. Mr. Meng now holds the post in the First Department of Shares Management of Huajian Transportation Economic Development Center and serves concurrently as the Director of Guangxi Wuzhou Transportation Company Limited, North China Expressway Company Limited and Northeast Expressway Company Limited.

Independent Non-executive Directors

Mr. Leung Man Kit, Born in 1953, He has held senior positions with Peregrine Capital Limited, Corsby Securities Limited, Warburg Dillion Read and Ke Capital (Hong Kong) Limited. He has also represented AIG Asian Infrastructure Fund on the board of directors of its investee companies. Mr. Leung is also an independent non-executive director of Netease. Com Inc, Junefield Department Store Group Limited, China Ting Group Holdings Limited and Golden Harvest Entertainment (Holdings) Limited

Ms. Li Mei, Born in 1964. She is a Senior Accountant, a Non-practiced Registered Accountant and Registered Tax Officer. She graduated from the System Engineering Institute of Tianjin University in 1989 with a masters degree. Ms. Li has worked for the Renmin University of China, Stone Group and Centergates Securities Company Limited. She is now the General Manager of the Financial Department of Jiahe Life Insurance Company Limited.

Ms. Guo Shan, Born in 1966, is a solicitor. Ms. Guo graduated from the Law Department of the branch of the University of Beijing in 1988 with a Bachelor of Law. Ms. Guo has worked for Legal Bureau of Beijing, Legal Department of the Intellectual Property of China, as well as Everbright Securities Company. Ms. Guo is currently a partner and the Deputy Manager of Beijing S & P Law Firm.

(2) ***Supervisors***

Mr. Li Huai Jie, Born in 1948, Chairman of the Supervisory Committee, Senior Economist. Mr. Li has worked for Anhui Provincial Planning Economy Commission, Anhui Provincial Energy Group Company Limited, Anhui Provincial Investment Group Company Limited, Anhui Wanneng Company Limited and China Anhui International Economic and Technology Cooperation Corporation with post of Deputy Director, Deputy General Manager, Deputy Chairman, Secretary to the Party Committee and General Manager respectively. He was the Deputy Secretary to the Party Committee of AEHC from August 2006 to December 2008.

Mr. Yang Yi Cong, Born in 1956, Supervisor of the Company, Senior Political Officer. Mr. Yang was graduated from Anhui Industrial Institute in 1982. He has been the secretary of the Disciplinary and Examination Committee of the Communist Party Committee of Anhui Transportation Administration Bureau. He has extensive experience in personnel management. Mr. Yang was elected as a supervisor representing the employees in the second, third and fourth Supervisory Committee. He is now the Chairman of Supervisory Committee of Xuanguang Expressway Company Limited and Anhui Provincial Expressway Advertisement Company Limited and the convener of Supervisory Committee of Anhui Ningxuanhang Expressway Investment Company Limited.

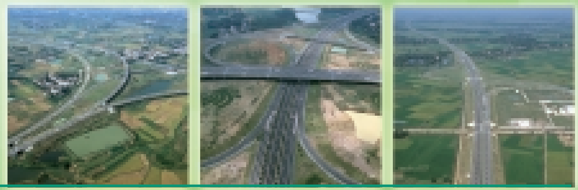
Mr. Dong Zhi, Born in 1980, Postgraduate Diploma. He graduated from Capital University of Economics and Business in 2005. Mr. Dong has held post in China Road and Bridge Corporation International Company Limited. He now holds post in the First Department of Shares Management of Huajian Transportation Economic Development Center and serves concurrently as the Supervisor of Northeast Expressway Company Limited.

(3) ***Other Senior Management***

Mr. Xie Xin Yu, Born in 1967, Deputy General Manager and Company Secretary, Senior Engineer, an associated member of the Hong Kong Institute of Company Sectaries. He was the Deputy General Manager and Company Secretary from 1996 to 1999, director, Deputy General Manager and Company Secretary from 1999 to 2002 and holds the post as the Chairman of Anhui kangcheng Pharmaceutical Company Limited and director of Hefei Information Investment Company Limited and Anhui Ningxuanhang Expressway Investment Company Limited.

Mr. Wang Chang Yin, Born in 1963, Deputy General Manager, Senior Engineer, Registered Supervision Engineer. He held the post in Anhui Zongyang County Communications Bureau, Hetong Road Administration Office of Anhui Expressway Holding Corporation and the Director and General Manager of Anhui Gaojie Expressway Company Limited. He is now the director of Xuanguang Expressway Company Limited.

Ms. Liang Bing, Born in 1967, Manager of the Financial Department, Accountant. Ms. Liang joined the Company in 1996 and held the post as the Manager of the Financial Department from December 2002. She is now the Chief Executive Officer of Xuanguang Expressway Company Limited, Anhui kangcheng Pharmaceutical Company Limited and Anhui Ningxuanhang Expressway Investment Company Limited. In 2008, she was named as the Anhui Provincial Advanced Accountant Worker.



2. Biography of Left Directors and Supervisors

Mr. Zhang Wen Sheng, Non-executive Director, aged 62, Senior Economist. He was the Director and Assistant Inspector of Reform & Law Department under the Ministry of Communications. Mr. Zhang was the Deputy General Manager of the Huajian Center commencing from 1998 to 2007. Besides, he was the deputy chairman of North-east Expressway Company Limited, Sichuan Expressway Company Limited and Guangxi Wuzhou Transportation Company Limited, and the director of Jiangsu Expressway Company Limited. He has been the director of the Company from April 2001 to August 2008.

Mr. Li Zhang Lin, Non-executive Director, aged 42, Senior Economist. He has held posts in the Planning Department of the Ministry of Communications and the China Merchants Group Limited successively and now the Deputy Manager of the Securities Management Department of Huajian Transportation Economic Development Center. Besides, Mr. Li is also the supervisor of North-east Expressway Company Limited. He has been the director of the Company from August 2005 to August 2008.

Ms. He Kun, Supervisor, aged 32, Non-practiced Registered Accountant. She is now the Project Manager of the Securities Management Department of Huajian Transportation Economic Development Center. Besides, she is the supervisor of Sichuan Expressway Company Limited. She held the position as the director of the Company commencing from April 2002 to August 2005 and as the supervisor of the Company commencing from August 2005 to August 2008.

VII. STAFF AND TRAINING

As of 31 December 2008, the Company had 1,376 staff and the retired employees were 22.

1. Profession composition

Profession type	Number
Management and professional staff	448
Toll collection and production staff	928

2. Education

Education type	Number
Postgraduate diploma	22
University diploma	132
College graduate	421
Secondary vocational diploma	296
Senior high school and below	505

Staff Wages

As for staff wages, the Company pursued “the wages’ linking with their results”. In accordance with the principles of “distribution according to work” and “wages determination according to post”, the Company closely linked staff’s wages with post responsibility, working skill, working conditions and working contributions and established the incentive system of “post depending on competition and wages relying on contributions”.

Staff Insurance and Welfare Protecting

The Group takes care of staff, protects the staff’s legal interests and strictly complies with the State’s social insurance policies. According to the relevant State’s stipulation, the Group has arranged the old-age insurance, basic medical insurance, unemployment insurance, injury insurance and child-bearing insurance for the staff and paid the above insurance fee in full.

The Group participated in the pension scheme organized by the government and undertook the responsibility to pay pension fund to the retired employees.

The Group contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee’s monthly salaries. The Group’s contributions to defined contributions plans are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods. Additional compensations for employee retirement are recognized in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms.

Staff Training

The Company pays great attention to staff training and establishes actual, applicative and effective plan according to the Company’s demands. The training mainly includes improving the Management’ overall management level, improving staff’s post skill, professional technical staff’s continuous education and special staff’s working with certificate. During the reporting period, various departments of the Company held different special training of 3 times with 107 persons, and drivers ranking certificate training with 143 persons. The professional technical training level improved stably.

Corporate Governance Structure and Governance Report

I. Corporate Governance

The Company has always complied with the Company Law, the Securities Law, relevant laws and regulations of the CSRC and the requirements of the listing rules of the Shanghai Stock Exchange and the Hong Kong Stock Exchange. It has faithfully performed obligations under the Standard on the Governance of Listed Companies of the CSRC and the Code on Corporate Governance Practices of the Hong Kong Stock Exchange and complied with regulatory requirements of different markets. The Company has also directed its daily activities in strict compliance with various corporate governance systems. The Company is committed to enhancing the transparency and independence of the Company's operations, enhancing its corporate governance standards on a continuous basis and ensuring the stable development of the Company and striving for the enhancement of shareholder value.

During the reporting period, there were no differences between the actual conditions of the Company's corporate governance and the requirements of the CSRC's related laws and regulations. The Company had also fully adopted the respective code provisions set out in the Code on Corporate Governance Practices of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange. The Company, the Board and Directors were not investigated, punished administratively or criticized by the CSRC, nor were they punished by other administrative authorities or openly criticized by the stock exchange.

1. Amendments to and improvements in the governing system of the Company

During the reporting period, in accordance with the requirements of relevant documents of the CSRC and the Shanghai Stock Exchange, the Company made further supplements to its governing system by formulating the "Regulations on Annual Reporting of Independent Directors" and the "Terms of Reference for the Audit Committee" and amending the "Articles of Association" and the "Measures for the Administration of Proceeds raised by the Company (2008 revised)".

2. Corporate governance activities

In accordance with the "Notice concerning further advancement of corporate governance activities in 2008" issued by CSRC and the "Notice concerning further advancement of corporate governance activities of listed companies within our jurisdiction" by Anhui Provincial Securities Regulatory Bureau, the Company rectified, within the specified time limit for rectification, all issues identified in the self-examination by the Company and the inspection by Anhui Provincial Securities Regulatory Bureau on the corporate governance activities in 2007, and there was no issue that had not been rectified. The "Explanation on rectification of issues identified in corporate governance activities" was considered and approved at the 20th meeting of the fourth session of the Board of Directors and disclosed in the announcement dated 21 July 2008.

(1) Issues identified in the self-examination by the Company on corporate governance activities in 2007 and the rectification thereof

- To improve the efficiency of decision-making by further bringing the roles of the specialised committees of the Board of Directors into full play.

  Rectification: after discussions with directors, the Company made greater efforts to bring the roles of the specialised committees of the Board of Directors into full play in providing the Board of Directors with advices on decision-making so as to improve the efficiency of decision-making of the Board of Directors and the ability of the Company to make scientific decisions and prevent risks.

- As required by the regulations recently issued by regulatory authorities, further amendment and improvement shall be made to certain rules and regulations of the Company.

  Rectification: rules amended and improved by the Company mainly include: the "Measures for the Administration of the Company's Information Disclosure (2007 revised)", the "Measures for the Administration of Proceeds raised by the Company (2007 revised)" and the "Measures for the Administration of Investor Relations of the Company", all of which were considered and approved at the 13th meeting of the fourth session of the Board of Directors.

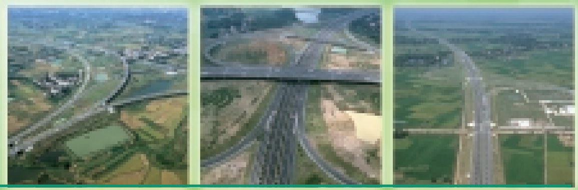
- To further refine the rules for information disclosure administration and conduct related training.

  Rectification: the Company amended the "Measures for the Administration of the Company's Information Disclosure" and such amendment was considered and approved at the 13th meeting of the fourth session of the Board of Directors. The Company also formulated the "Implementation Rules for the Information Disclosure Administration System". The Company organised internal propaganda and staff training in September 2007 in order to enhance the understanding of the Company and associated companies on information disclosure and ensure the quality of information disclosure.

(2) Issues identified in the inspection by Anhui Provincial Securities Regulatory Bureau on corporate governance activities in 2007 and the rectification thereof

- To further improve the minutes of general meetings, board meetings and meetings of the Supervisory Committee of the Board of Directors in accordance with the "Procedures for General Meetings", the "Procedures for Boarding Meetings" and the "Procedures for Meetings of the Supervisory Committee of the Board of Directors".

  Rectification: the Company kept complete minutes of general meetings, board meetings and meetings of the Supervisory Committee of the Board of Directors in compliance with the requirements of the "Articles of Association" and relevant procedures. In the future, rectification will focus on the adequacy of contents by keeping detailed minutes for the discussions in meetings.



- To bring the roles of the specialised committees of the Board of Directors and independent directors into full play.

  Rectification: after discussions with directors, the Company made greater efforts to bring the roles of the specialised committees of the Board of Directors into full play. The Company will continue to support independent directors in performing their duties by consulting them to seek professional advices before making material decisions on, among others, production and operation, investments, internal auditing and the nomination, remuneration and assessment of senior management. For matters that require independent opinions from independent directors, the Company will consult independent directors in advance and seek their independent opinions.

  In accordance with relevant documents issued by CSRC and the Shanghai Stock Exchange, the "Regulations on Annual Reporting of Independent Directors" and the "Terms of Reference for the Audit Committee of the Board of Directors" of the Company were considered and approved at the 17th meeting of the fourth session of the Board of Directors on 6 March 2008. All independent directors and members of the Audit Committee of the Board participated in and supervised the auditing process for the 2007 annual report, and played their roles in communicating with accounting firms and the discussion on the preliminary draft of the annual report, which helped to facilitate the improvement of the corporate governance of the Company.

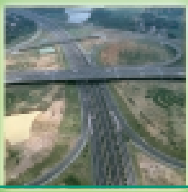
(3) Plans for further advancement of corporate governance

1. In accordance with the documents issued by the CSRC and Anhui Provincial Securities Regulatory Bureau, the Company will put emphasis on self-examination and rectification of appropriation of funds of listed companies by controlling shareholders and their associates, and will take this opportunity to facilitate the corporate governance activities.

2. The Company will improve the system construction and establish a long-term system to improve its ability to prevent risks in accordance with the "Guidelines on Internal Control for Companies Listed on the Shanghai Stock Exchange" and relevant regulations.

3. The Company will continue to strengthen the roles of independent directors and specialised committees of the Board of Directors in the operation and decision-making of the Board Directors, by supporting them in conducting studies and providing advices on strategic planning, material decisions and the construction of internal system of the Company and thus improving the ability of the Board of Directors in decision-making and facilitating the healthy, steady and sustained development of the Company.

   The Company will, in strict compliance with relevant laws and regulations such as the Company Law, the Securities Law, the "Measures for the Administration of Information Disclosure by Listed Companies" and the "Rules Governing the Listing of Shares", continue to implement the guidelines of the corporate governance activities to improve its rules and regulations and the regulated operation and governance of the Company, protect legitimate interests of the Company and its shareholders and facilitate the sustained and healthy development of the Company.


3. Establishment of the internal control system of the Company

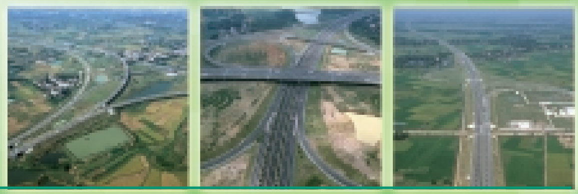
A complete internal control system provides for guidelines on regulating corporate management and is a solid foundation for risk prevention. Through internal control, the Company can identify and correct mistakes and illegal acts in time, and thus ensure the security of assets and the truth and reliability of operation results and financial position of the Company.

During the reporting period, in accordance with the "Basic Rules for Internal Control of Companies" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, China Banking Regulatory Commission and China Insurance Regulatory Commission, the "Guidelines on Internal Control for Companies Listed on the Shanghai Stock Exchange" by Shanghai Stock Exchange and the "Code on Corporate Governance Practices" by Hong Kong Stock Exchange and in light of the Company's needs in internal management, the Company conducted a comprehensive consolidation on its internal control system to establish a internal control system in compliance with regulatory requirements, which was considered and approved by the Board of Directors and helped to further improve the Company's internal control system in terms of integrity, implementation process and efficiency.

The Company's internal control system mainly comprises five elements, namely environment control, risk assessment, activities control, information communication and supervision. The Company has formulated relatively comprehensive systems in respect of corporate governance, management of proceeds from fund raising and information disclosure, internal auditing and anti-fraud reporting system, human resources management, accounting and budget management and business management.

The Company has also formulated the "Manual for Internal Risk Control", which provides for various procedures for internal control in respect of important operations of the Company and essentially covers all aspects of corporate operation and important parts of relevant operations, as a basis to establish, implement, assess and verify internal control.

The Board of Directors is responsible for establishing and constantly improving the internal control system of the Company to review the effective implementation of all monitoring procedures in relation to corporate governance, operation management, property safety, risk control and the compliance of procedures for implementation and protect the assets of the Group and interests of shareholders. The Internal Control System established by the Company summarises and elaborates on the objectives, contents, responsibilities, methods and procedures of the internal control of the Company, and is helpful for the Company to conduct continuous examination and assessment on the effectiveness of internal control.

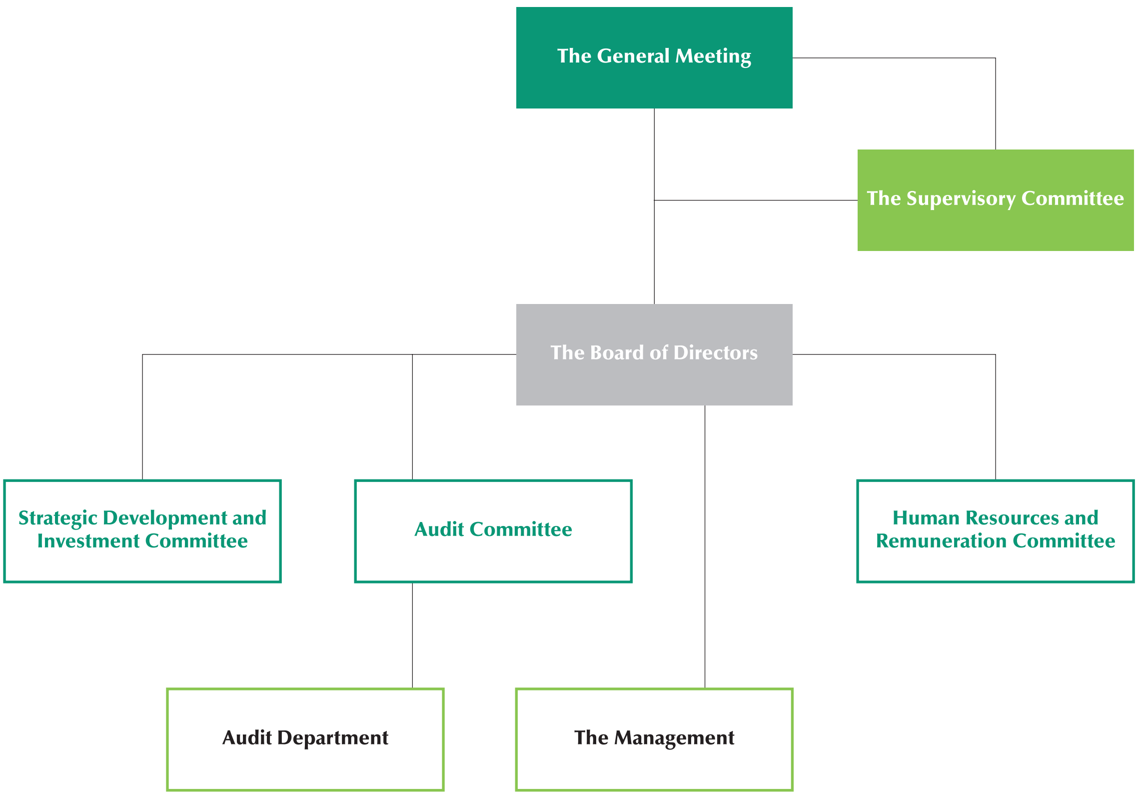


The management is authorised by the Board of Directors to implement the aforesaid internal control system. In the future, the management will strictly comply with the internal control system in every aspect of operations of the Company to ensure effective control of the Company's operation. Meanwhile, the management will leverage on internal auditing to conduct regular examination, supervision and assessment on the Company's financial position, operation and internal compliance to reduce risks. The management will also report the implementation status of internal control system to the Audit Committee of the Board of Directors and the Board of Directors on a regular basis.

Based on the examination by the Board of Directors on the effectiveness of the Company's internal control system in the year, the Board of Directors is of the opinion that, the Company has a well-organised structure and a sound system and has established a complete internal control system in accordance with the requirements of competent authorities of the State and such a system has been complied with in an effective manner, which has ensured the normal production and operation of the Company and has kept operation risks under effective control.

A supervision and inspection system has been established for the Company's internal control system. Once a defect is identified, the Company will make corresponding corrections immediately. The Board of Directors will urge the management to constantly improve the internal control system to keep it in line with the continuous, healthy and steady development of the Company.

II. Legal person governance structure of the Company



1. Shareholders and Stakeholders' General Meeting

The Company treats all the shareholders equally and ensures the all shareholders have the rights to be informed and to make decisions on material matters relating to the Company. The Company ensures that all shareholders, especially medium and small shareholders, are treated equally and may fully exercise their rights. The notice, authorization and consideration of Shareholders' General Meeting were all compliance with relevant procedure.

(i) *Substantial Shareholders*

AEHC and Huajian Center are the substantial shareholders of the Company, holding 31.27% and 20.92% of the Company's shares. The Company's business, assets, staff, organization and finance are separated from those of the controlling shareholders, allowing the Company to have complete autonomy over its business and operations. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the law and have not intervened the decision making process and operations of the Company directly or indirectly bypassing the general meetings.

The Company's business, assets, staff, organization and finance have always been separated and independent from those of its controlling shareholder, allowing the Company to have complete autonomy over its business and operations. The Company and its controlling shareholder operate in different areas of business. The Company's assets are strictly separated from the controlling shareholder's assets and the Company has full ownership over its operating assets, the operation of which is entirely independent. No employees are holding concurrent positions in both companies. The Company has independent authority in labour affairs and personnel management. In the event that the controlling shareholder nominates directors and supervisors to the Company, it has to go through formalized and lawful procedures. There is no question of one team operating in two companies. Offices and business places of the Company and its controlling shareholder are physically separated. Both of them have their own financial departments with separate accounts. Financial decisions are made independently, and the Company's fund application is free from any interference from its controlling shareholder.

Other shareholders' materials including shareholders' class, public shareholdings, shareholdings of top ten shareholders circulating shares and control shareholder and its change as at the end of the reporting period, please see "Shareholders and the Change of Share Capital" section in the annual report for this year.

(ii) ***Shareholders' General meeting***

The Shareholders' General Meeting is the organ of supreme power of the Company and exercises its powers according to law to determine major events of the Company. The annual general meeting and extraordinary general meetings provide direct channel for communication between the board and shareholders of the Company. Therefore, the Company has put great emphasis on general meetings and issues a meeting notice 45 days before the holding of a meeting requesting all directors and senior management to attend so far as possible. The Company encourages all shareholders to attend general meetings and welcomes them to deliver speeches at the meetings. For the details of the general meetings convened by the Company during the reporting period, see the "Profile of the General Meeting" section in the annual report for this year.

2. The Board of Directors

(1) ***Obligation and division of work***

The Board represents interests of all the shareholders and is wholly responsible to General Meetings. It has strictly complied with the "Rules Governing the Operation of the Board" within the authority scope of the Articles of Association, which stipulates the decision-making process related to the development strategies, planning and management and financial control. The Board also supervises and reviews the development and operation of the Company with the primary mission of achieving best operating results for shareholders.

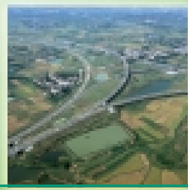
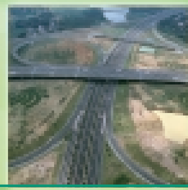
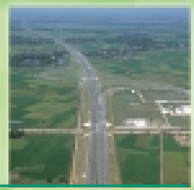
The Company has clearly defined the responsibility of the Chairman and the General Manager. The responsibility of the Board and the management are separated and are set out in detail in the Company's Articles of Association, the "Rules of proceedings for Board"and "Standing Orders for the Operation of General Manager", ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities. The chairman is responsible for leading the Board to work out the corporate strategy and fulfil the Group's goal.

(2) *Composition*

The present Board is the Company's fifth session since incorporation. The Board of the Company consists of 9 directors, of which 4 are executive directors, 2 are non-executive directors and 3 are independent non-executive directors, which represent one-third of the Board. The term of the directors commence from 17 August 2008 to 16 August 2011. The profile of the members of the Board is as follows:

Name	Position	Initial date for holding position as director	Experience/skill
Executive Directors			
Wang Shui	Chairman	August 1996	Investment strategy, Road management and construction
Li Yungui	Director and General Manager	August 1996	Human resources, Road management and construction
Tu Xiaobei	Deputy chairman	August 1996	Road management and construction
Li Junjie	Director and Deputy General Manager	August 2008	Human resources management
Non-executive Directors			
Liu Xianfu	Non-executive director	August 2008	Financial management
Meng Jie	Non-executive director	August 2008	Investment project management
Independent Director			
Leung Man Kit	Independent director	August 2005	Investment bank, Enterprise finance
Li Mei	Independent director	August 2005	Financial management
Guo Shan	Independent director	August 2005	Law

Members of the Board have different industry backgrounds with expertise in investment strategy, corporate management, financial accounting, highway management and construction, investment banking and human resources. Among them, not less than one Independent Director possesses the professional accounting qualifications required. The biographies of members of the board are set out in "Directors, Supervisors, Senior Management and Staff Profiles" of this annual report. There is no any relationship between the members of the Board, including finance, business, relative or other major relevant relationship.

The Company has a total of three independent directors, accounting for one third of the members of the board. All of them have extensive professional experience in enterprise management, finance and securities and financial management, and held important posts in Specific Committees of the Board. The Independent Directors held majorities in Audit Committee and Human Resources and Remuneration Committee and held the post as Chairman.

(3) ***The Board Meeting***

In 2008, the Company held 8 Board meetings and details are set out as follows:

— To consider annual, interim and quarterly financial report;

— To consider annual working report of the Board;

— To consider annual profit appropriation plan;

— To consider and pass items of change of accounting policy and reappointment of auditors;

— To consider the amendment of Articles of Association;

— To consider profile of candidates and proposed remuneration of fifth Board of Directors and Supervisory Committee;

— Relevant explanation to the retroactive adjustment of 2006 annual financial statement according to relevant stipulation when initially implementing Chinese Accounting Standards;

— To set up or revise part of corporate governance rule, including "Annual Report Working System of Independent Directors", "Working Regulation of Audit Committee" and Measures for the Administration of Proceeds raised by the Company (2008 revised)";

— To consider and pass the investment and establish of Ningxuanhang Company;

— To consider explanation of reform on Corporate Governance Activities;

— To elect the Chairman and Deputy Chairman of the fifth Board, appoint Senior Management such as General Manager and Deputy General Manager and appoint members of Specific Committees of the Board;

— To consider the proposed issuance of bonds with warrants and relevant items;

— To consider connected transactions of relevant highways' entrusted management, loss compensation of advertisement light boxes for the widening of Hening Expressway, house lease in the Park and increase of capital of Advertisement Company and entrusted management of service areas.

The notice of Board meeting shall be sent to all the directors at least 10 days before the meeting, the notice of extraordinary Board meeting shall be sent to all the directors at least 2 days before the meeting. The Chairman, more than 1/3 directors, more than 1/2 independent directors, the Supervisory Committee and General Manager have rights to convene extraordinary Board meeting.

The Company's management is responsible for the provision of relevant materials and information required for the Board's consideration of various proposals and arranging for the senior management to report works while a Board Meeting is being held. The Company's Board and specialized committees under the Board are entitled to appoint independent professional institution for service according to the needs of the exercise of authority, performance of duties or businesses, and the reasonable expenses incurred thereon shall be borne by the Company.

When a Board Meeting considers any transaction, the Directors shall report their interests involved, and shall not be present under appropriate conditions. The Company has stated that, if a substantial shareholder or a director has a conflict of interest in any material matter, the connected director must abstain from voting when a Board Meeting is held.

3. Directors

1. *Appointment*

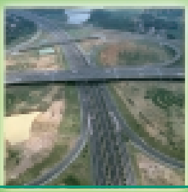
All Directors are elected or replaced by Shareholders' General Meeting; The Company's shareholders, Board or Supervisory Committee have the right to nominate candidates for directorship in written form. Directors are appointed for a term of three years, and are eligible for reelection or reappointment upon expiry of the term; Independent Directors shall be persons who do not have any connected relationship with the management and substantial shareholders of the Company, with the reelection terms not more than six years.

The Company's Rules of Procedure of the Board of Directors have stated its requirements for the qualifications and basic qualities of directors, the method of nomination and the recommended procedure, i.e. the Human Resources and Remuneration Committee is responsible for reviewing and assessing the qualifications and qualities of candidates for directorship, and is responsible for making recommendations to the Board and providing explanations to the Shareholders' General Meeting. The accumulative voting system has been adopted for the election of the Company's Directors.

2. ***Information support and professional development***

Following their appointment, new Directors will be provided a set of materials by the Company, including an overview of the Company's operations, an introduction to the responsibilities and duties of Directors and other statutory information. Meanwhile, directorship training will be provided for them pursuant to the relevant statutory requirements. In addition, during their term of office, all Directors can obtain information regarding the statutory, regulatory and other continuing responsibilities they shall observe and the latest developments through the Company's Secretary in a timely manner. All the three Independent Directors of the Company have participated in the Independent Directors training organized by the Shanghai Stock Exchange. During the reporting period, two Executive Directors attended the directors training courses organized by the regulatory authority.

Through various forms such as the provision of information, work reporting, site visit and professional training, all Directors can keep abreast of the business development, competition and regulatory environment of the Company, thus ensuring the Directors can understand the duties they shall perform. This will facilitate correct and effective supervision by Directors and ensures the procedure of the Board is implemented consistently and the applicable laws and regulations are duly complied with.


3. ***Annual implementation***

In 2008, the rate of attendance of the Board meeting was 100%. During the reporting period, the details for the directors attending the Board meeting and special committee are set out as follows:

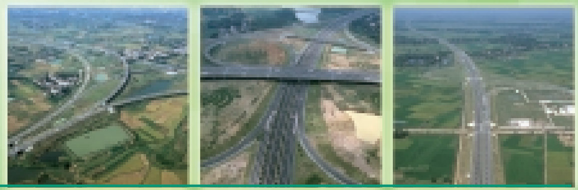
		Attendance in person / Number of Meetings)			
Name	**Position**	**The Board**	**Strategic Committee**	**Audit Committee**	**Remuneration Committee**
Executive Directors					
Wang Shui	Chairman	8/8	1/1		
Li Yungui	Director and General Manager	8/8	1/1		
Tu Xiaobei	Deputy chairman	8/8	1/1		
Li Junjie	Director and Deputy General Manager	3/3			
Non-executive Directors					
Zhang Wensheng	Non-executive Director	5/5	1/1		1/1
Li Zhanglin	Non-executive Director	5/5		2/2	
Liu Xianfu	Non-executive Director	3/3		2/2	
Meng Jie	Non-executive Director	3/3			
Independent Directors					
Leung Man Kit	Independent Director	8/8	1/1	2/2	1/1
Li Mei	Independent Director	8/8		4/4	
Guo Shan	Independent Director	8/8		2/2	1/1

Note: During the reporting period, all the directors attended the Board meeting in their terms of office.

During the reporting period, all the directors have attended the Board meetings with prudent and active attitude and provided professional advice and independent judgment on major events with their professional knowledge and experience.

The Independent Directors of the Company have attended the Board meetings with prudent attitude and performed their obligations dutifully, apart from which, they held meetings with external auditors to talk about the annual auditing work and provided independent advice and recommendations to the board on major events and connected transactions of the Company. In 2008, they audited the investment decision-making, connected transactions, nomination of senior management, financial audit and internal control and issued independent opinions through attending the Board meetings and Specific Committees of the Board, thereby safeguarding the overall interests of the Company and shareholders.

In 2008, the Independent Directors did not object to the decisions of the Board aforesaid, nor suggested to hold Board meeting.



4. ***Directors' remuneration***

The details of the Company's remuneration policy, remuneration of Directors and senior management, the appraisal and incentive mechanism for senior management are set out in "Directors, Supervisors, Senior Management and Staff".

5. ***Independence of Directors***

The Company has appointed a sufficient number of Independent Directors. Pursuant to Rule 3.13 of the Listing Rules of the Stock Exchange, the confirmations from all Independent Directors as to their independence have been received by the Board of Directors. The Company considers that all existing Independent Directors have complied with the relevant guideline as set out in such Rule, and are still independent parties.

6. ***Securities Transactions by Directors***

For securities transactions by Directors, the Company has adopted the code provisions on the trading of shares of the Company by Directors contained in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code for Securities Transactions") as set out in the Appendix 10 of the "Listing Rules". After making specific enquiries of all directors, the Company confirms that all Directors fully complied with the "Model Code for Securities Transactions" in 2008.

4. Specific Committees of the Board

The Board of the Company established 3 Specific Committees. Each of the committees has formulated the Authority Scope Letter respectively to define its authority scope for supervising individual category affairs and approved by the Board.

Strategic Development and Investment Committee (the "Strategic Committee")

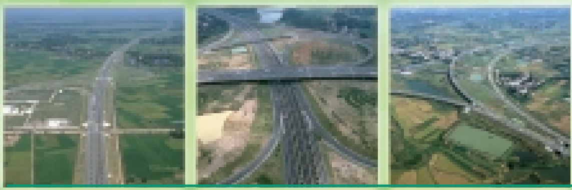
The Strategic Committee was established in August 2002 with member of Mr. Wang Shui (Chairman), Mr. Li Yungui, Mr. Tu Xiaobei, Mr. Liu Xianfu and Mr. Leung Man Kit.

Obligations

The Strategic Committee conducts researches and gives advices on long-term strategic development projects, financial plans of major investments, major capital applications, asset management projects and major events affecting the Company's development.

Main works in 2008

In 2008, the Strategic Committee held one meeting and passed the plan of investment in Ningxuanhang Expressway.



Audit Committee

The Audit Committee was set up in August 1999 and comprised mainly of Independent Directors: Ms. Li Mei (Chairman), Mr. Liu Xianfu and Ms. Guo Shan.
Obligations

Obligations

The Audit Committee is mainly responsible for supervising the Company's internal control system and its execution, evaluating financial information and related disclosure, reviewing the internal control system, auditing major connected transactions and also communicating, supervising and investigating the Company's internal and external audits.

Main works in 2008

Audit Committee's Report

The Audit Committee held four meetings in 2008 at which the Management and the financial controller reported on the financial position of the Company and major matters related to internal control.

Review periodic financial statement

The Audit Committee is responsible for reviewing and supervising the Group's financial reporting quality and procedure. According to the procedure, the management is responsible for preparing the Group's financial reports, including selecting appropriate accounting policies, and the external auditor is responsible for auditing and verifying the Group's financial reports and assessing the Group's internal control system. The Audit Committee supervises the work of the management and external auditor, and recognizes the procedure and protection measures adopted by them.

Before the announcement of the Unaudited 2008 First Quarterly and Third Quarterly Financial Reports prepared in accordance with the PRC Accounting Standards and the unaudited Interim Financial Report for the first six months, Audit Committee had reviewed them and proposed to the Board for approval.

The Audit Committee reviewed the 2008 annual financial statement including:

(1) Before the annual audit, the Audit Committee has obtained the 2008 annual audit plan provided by the financial department and heard a report on audit plan by the external auditor.

(2) Before the external auditor's entering, the Audit Committee has reviewed the Group's 2008 annual financial statement and issued written opinions.

(3) After the external auditor had issued preliminary auditing opinions, Audit Committee reviewed the Company's financial and accounting statements again and discussed with the Company's management and external auditor

(4) In the process of audit, Audit Committee maintained continuous communication with the external auditor, and urged the external auditor to submit the audit report within the timeframe agreed while guaranteeing the quality of the audit work, ensuring the orderly performance and timely completion of each stage of the audit work of the Company.

(5) Audit Committee convened the first meeting for 2009, considered and approved the 2008 Financial Report, and considered that the Group's 2008 annual financial statement had actually and exactly reflected the Group's 2008 annual operating results and financial status ended 31 December 2008, and submitted it to the Board for review.

(6) The Audit Committee considered that the Company's 2008 auditors —PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers Certified Public Accountants was responsible, independent, objective and just for providing audit service for the Company and did a good job. Accordingly, the Audit Committee made a representation to the Board to continue to appoint the above two auditors as the Company's 2009 auditors.

Members of Audit Committee: Li Mei, Liu Xianfu and Guo Shan
6 March 2009

Human Resources and Remuneration Committee (the "Remuneration Committee")

The Remuneration Committee was established in August 2002 and comprised mainly of Independent Directors: Mr. Leung Man Kit (Chairman), Mr. Meng Jie and Ms. Guo Shan.

Obligations

The Remuneration Committee is mainly responsible for formulating the Company's human resources development strategies and plans, formulating and reviewing the remuneration policy and plan for the Company's directors and management.

Main works in 2008

Remuneration Committee's Report

During the reporting period, the Remuneration Committee' main works included:

(1) To consider and approve the candidates of directors of the new Board, nominate the candidates of independent directors of the new Board and work out the remuneration plan;

(2) To examine the disclosure relation to remuneration of directors and supervisors in 2008 Annual Report, the Remuneration Committee considered that the above disclosure was complied with the stipulation of the Company's remuneration policy and plan and complied with the disclosure standard required by domestic and overseas supervision institution, and confirmed that during the reporting period, no share incentive plan was involved.

(3) The Remuneration Committee examined the performance of the management, by which fixed on the remuneration of the Company's senior management.

Members of Remuneration Committee: Leung Man Kit, Meng Jie and Guo Shan
6 March 2009

5. Control System

(i) *Supervisory Committee*

The present Supervisory Committee is the Company's fifth session with terms of office expired on 16 August 2011. The Supervisory Committee consists of 3 supervisors, including 2 shareholder's representatives and 1 employee's representative. The number of supervisors and the composition has complied with the requirements of the rules and regulations.

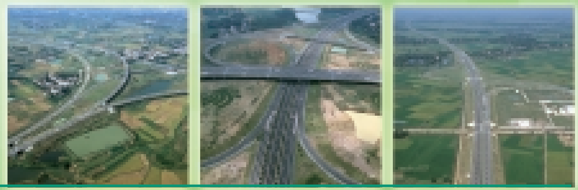
The Supervisory Committee is responsible to all shareholders as a whole. Its core duties, among others, are to supervise the corporate finances and also to ensure that the directors and senior management are performing their duties with due diligence with a view to safeguarding corporate assets and protecting legal interests of the Company and its shareholders.

The Secretary to the Board of the Company also assumes the duties of the secretary to the Supervisory Committee, and is responsible for its day-to-day affairs and facilitates communication between the Supervisory Committee and the Board as well as the management. In 2007, the Supervisory Committee convened four meetings, supervised the performance of duties by the Company's financial personnel, Directors and Senior Management in compliance with the laws and regulations on behalf of shareholders, attended all the Board meetings and Shareholders' General Meetings, and conscientiously performed its duties. The details of the relevant work are set out in the "Supervisory Committee's Report" of this annual report.

(ii) *Internal Control*

The board is responsible for establishing and maintaining the internal control system of the Company for reviewing the relevant financial, operating and monitoring control procedures and safeguarding shareholders' interests and assets of the Company. The board authorizes the management to implement the internal control system and reviews its effectiveness through the audit committee. Details please see "Corporate Governance" in this chapter.

In order to review effectiveness of the Group's operating management and internal control system, the Company established the internal audit department in September 2008. The scope of the audit department covers operation, investment, corporate governance and financial management, the manger of the audit department reports directly to the Audit Committee of work results and advice, which will be considered and approved by the Audit Committee and then the Audit Committee will provide advices to the Management and report to the Board.



(iii) ***Auditors***

The financial statements in the 2008 annual report was prepared in accordance with the PRC Accounting Standards and Hong Kong Accounting Standards, which have been audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants respectively.

The fees paid to the above accountants for 2008 were as follows:

Unit: RMB

	2008 Audit fees	2007 Audit fees
PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd	**925,000**	825,000
PricewaterhouseCoopers Certified Public Accountants	**925,000**	825,000

Apart from the said fees, the Company did not pay any other fees to the auditors. Traveling and lodging expenses were paid by the auditors. As at 2008, they have provided services to the Company for 7 years.

The audit committee has discussed and evaluated the accountants' professional quality and the execution of 2008 audit work and presented relevant opinions and improving ideas. The audit committee recommends to appoint PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers Certified Public Accountants as the Company's 2009 auditors, which was approved at the Board and presented to be approved or authorized at 2008 Annual General Meeting.

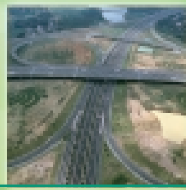
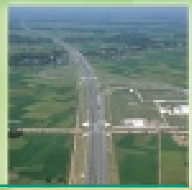
6. Information Disclosure and Investor Relations

Information Disclosure

The Company faithfully fulfilled the legal information disclosure obligation and disclosed information with truthfulness, accuracy and completeness strictly according to the "Information Disclosure Management System", "Information Disclosure Management System Implementation Detailed Rules" and "Investor Relations Management System" to ensure information disclosure in an open, fair and just way and that all shareholders can enjoy equal and full right of accessing information, and increase the transparency of the Company.

During the reporting period, the Company issued 4 periodic reports and 24 extraordinary announcements according to the listing rules of Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited. The Company's A shares announcements were published in the China Securities Post and Shanghai Securities Post. The Company's H shares announcements were published on the website of the Stock Exchange of Hong Kong Limited. Detailed contents of all the announcements please go to the websites of http://www.sse.com.cn, http://www.hkex.com.hk and http://www.anhui-expressway.cn.

Number	Date	Items
1	5 February 2008	Announcement
2	5 February 2008	Waiver from compliance with Rule 3.24 of Listing Rules
3	29 February 2008	Announcement on the adjustment of the applicable income tax rate for the previous fiscal year 2006 of the Company
4	7 March 2008	Resolution announcement of the 17th meeting of the 4th Board
5	28 March 2008	Announcement on trading of restricted circulating shares
6	31 March 2008	Resolution announcement of the 18th meeting of the 4th Board
7	31 March 2008	Resolution announcement of the 12th meeting of the 4th Supervisory Committee
8	31 March 2008	Notice of 2007 Annual General Meeting
9	8 May 2008	Announcement on change
10	26 May 2008	Resolution announcement of 2007 Annual General Meeting
11	18 June 2008	Implementation announcement of 2007 profit appropriation
12	21 July 2008	Resolution announcement of the 20th meeting of the 4th Board
13	23 July 2008	Announcement on the receipt of fiscal return of enterprise income tax for the year 2006
14	19 August 2008	Resolution announcement of the first meeting of the 5th Board
15	19 August 2008	Resolution announcement of the first meeting of the 5th Supervisory Committee
16	19 August 2008	Notice of 2008 First Extraordinary General Meeting
17	19 August 2008	Notice of 2008 First Extraordinary General Meeting for Holders of Domestic Shares
18	19 August 2008	Notice of 2008 First Extraordinary General Meeting for Holders of H Shares
19	11 September 2008	Suggestive notice of 2008 First Extraordinary General Meeting
20	17 September 2008	Announcement on the receipt of the remaining part the fiscal return of enterprise income tax for the year 2006
21	13 October 2008	Resolution announcement of 2008 First Extraordinary General Meeting
22	13 October 2008	Resolution announcement of 2008 First Extraordinary General Meeting for Holders of Domestic Shares
23	13 October 2008	Resolution announcement of 2008 First Extraordinary General Meeting for Holders of H Shares
24	24 December 2008	Resolution announcement of the third meeting of the 5th Board

Investor Relations

The Company's management has been attaching importance to positive investor relations. On one hand, the Company persisted in transferring the information the investors focused on through various methods to improve the Company's transparency; On the other hand, through the investors' relationship activities, the Company can initiatively understand and listen to investors' opinions and advices to help the Company improve corporate governance and operating level.

Following methods were taken in investor relationship activities:

— To answer investor's enquires through telephone and E-mail;

— Daily receipt of investor's and analyst's visit;

— Participation in large investor promotional activities;

— To hold results representation and domestic and overseas road shows;

— The Company provided information in connection with the Company's assets, traffic volume data, information disclosure and corporate governance by making full use of the corporate website.

Major investor relationship activities in 2008:

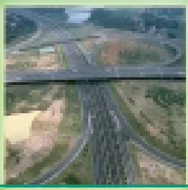
— The Company participated in the UBS Greater China Conference 2008 held by UBS in Shanghai in January 2008;

— The Company held 2007 Annual Results Press Conference in Hong Kong, Japan and Korea in March 2008;

— Company participated in JPMorgan China Conference held by JPMorgan Securities in Beijing in April 2008;

— The Company participated in the 13th CLSA China Forum held by CLSA in Shanghai in May 2008;

— The Company held 2008 Interim Results Press Conference in Hong Kong in August 2008.


1. Annual General Meeting

The 2007 Annual General Meeting was held on 23 May 2008, the following major events were approved:

Events Approved by Ordinary Resolutions:

— The report of the Board of Directors, the report of the Supervisory Committee, the audited financial statements and the profit appropriation proposal for 2007;

— The appointments of 2008 PRC and overseas auditors and the Board of Directors were authorized to fix their remunerations;

— To elect candidates of the fifth Board of Directors and Supervisory Committee;

— To approve remuneration of members of the fifth Board of Directors and Supervisory Committee, and authorize the Board to determine relevant director and supervisor's service contract.

Events Approved by Special Resolutions:

— To approve the amendment of Articles of Association of the Company;

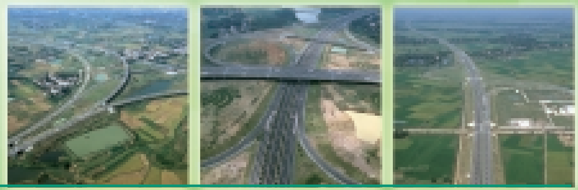
— The Board of Directors was authorized to allot or issue shares not more than 20% of each of the existing issued domestic shares and overseas listed foreign shares of the Company subject to certain conditions.

The resolution announcements of the 2007 Annual General Meeting were published in the Shanghai Securities Post, the China Securities Post and on the website of the Stock Exchange of Hong Kong Limited.

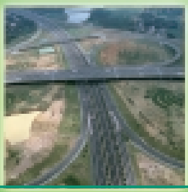
2. Extraordinary General meeting

The 2008 First Extraordinary General Meeting, 2008 First Extraordinary General Meeting for Holders of Domestic Shares and 2008 First Extraordinary General Meeting for Holders of H Shares were held on 10 October 2008, at which "the resolutions relating to the proposal for the issuance of Bonds with Warrants" (Special Resolution) and "The Resolutions Relating to the feasibility of the projects to be invested with the proceeds from the proposed issuance" (Ordinary Resolution).

The resolution announcements of the above General Meeting were published in the Shanghai Securities Post, the China Securities Post and on the website of the Stock Exchange of Hong Kong Limited on 13 October 2008.



During the reporting period, in accordance with the PRC Accounting Standards, the Group recorded an operating income of RMB1,689,557 thousands for the whole year. The net profit attributable to shareholders of the parent company was RMB691,802 thousands, and earnings per share was RMB0.417. In accordance with Hong Kong Accounting Standards, the profit attributable to equity holders of the Company was RMB670,700 thousands, and basic earnings per share was RMB0.404.

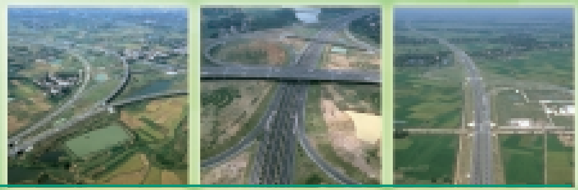

Review

2008 is an extremely unusual and special year when China experienced a series of significant events, disasters and contingencies. In face of the strong impact of the international financial crisis and the drastic deterioration of the global economic environment, the PRC government promptly implemented a series of guidelines and policies aiming at promoting stable and rapid economic development, which enabled China to maintain a fast economic growth of 9% in 2008, which was below the expectation at beginning of 2008 and the first time below 10% in recent years. Despite the adverse effect of the international financial crisis, the economy of Anhui Province maintained steady and rapid growth. According to preliminary estimation, the GDP of Anhui Province was RMB 887.42 billion in 2008, representing an increase of 12.7% compared with that of last year based on comparable price.

In 2008, a total investment of RMB 20.1 billion was made in highway and waterway construction in Anhui Province. During the year, new expressways with a total length of 352 km commenced construction, additional mileage of expressway reached 300 km and total mileage of expressway reached 2,508 km, ranking ninth in the country. During the year, the turnover volume of passengers and the turnover volume of goods increased by 12.9% and 9.4% to RMB110.076 billion person kilometres and RMB217.646 billion ton kilometres respectively, of which the transportation volume of passengers and transportation volume of goods by highways increased by 12.9% and 15.8% respectively compared with 2007.

In 2008, the widening of four-lane to eight-lane of Hening Expressway and the reconstruction of Gaojie Expressway continued to proceed smoothly. The widening and reconstruction of the above expressways will create room for expanding vehicle volume for the Company's expressways. As some expressways became open to traffic, which marked the formation of the expressway network of Anhui Province.

In 2008, the Company partnered with Xuancheng City Traffic Construction Investment Company, Limited to set up Ningxuanhang Company for joint investment in the construction of Anhui Section of Ningxuanhang Expressway. This project is situated in the southern part of Anhui Province and is a major traffic route connecting the Anhui Province and economically advanced Yangtze River Delta region, and has a positive enhancing effect on the improvement of the traffic networks in Anhui Province, Yangtze River Delta and the country. Implementation of the project will not only satisfy the needs arising from the region's economic development, but will also have a positive effect on the profitability enhancement and the long-term development of the Company.



Outlook

Looking objectively at the situation in 2009, we see hopes and difficulties, opportunities and challenges. Generally, we have the following favourable conditions: (1) to cope with the financial crisis and stimulate economic development, the PRC government has implemented specific policies to speed up the construction of traffic infrastructures; (2) with the gradual improvement of the expressway network in Anhui Province and the implementation of the policies of the PRC government to expand investment, the expressway traffic volume will continue to increase; and (3) most of the expressways owned by the Company are national trunk highways which are superior assets and are strongly risk resistant.

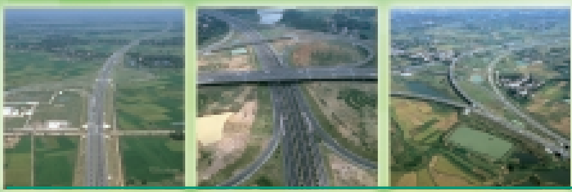
Meanwhile, both the Group and the Company face some difficulties: reallocation of overall traffic volume as a result of the expansion of expressway network and the effect of the development of railway and airline transport industries on highway transport, etc.

In 2009, the Group will seize the opportunity arising from the domestic demand expansion policies to increase investment, enhance scientific management and improve development quality and efficiency, so as to realize the continuous and steady development of the Company.

I would like to express my heartfelt thanks to all shareholders for their support, to the Board and the Supervisory Committee for their close cooperation and to all staff for their efforts.

Wang Shui
Chairman

Hefei, Anhui, the PRC
6 March 2009



I. Usual Operation of the Board of Directors

Eight Board meetings of the Company were held in 2008, details are as follows:

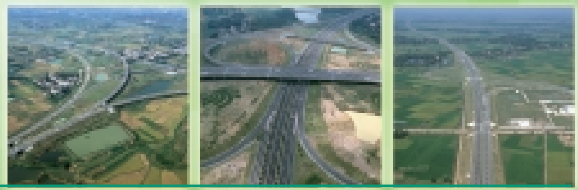
Sessions of the Meeting	Convening date	Newspapers for information disclosure	Disclosure date
17th meeting of the 4th Board	6 March 2008		7 March 2008
18th meeting of the 4th Board	28 March 2008		31 March 2008
19th meeting of the 4th Board	23 April 2008	The Shanghai Securities Post	Free to disclose
Extraordinary Board meeting of the 4th Board	23 May 2008		Free to disclose
20th meeting of the 4th Board	18 July 2008	The China Securities Post	21 July 2008
First meeting of the 5th Board	18 June 2008		19 June 2008
Second meeting of the 5th Board	16 October 2008		Free to disclose
Third meeting of the 5th Board	22 December 2008		24 December 2008

II. Execution of Resolutions Passed at the General Meeting by the Board of Directors

During the reporting period, the Board of Directors duly executed the contents of the following resolutions in accordance with the relevant law and regulations and the resolutions and authorities as passed in the General Meeting:

1. Execution of 2007 profit appropriations of the Company

The 2007 profit appropriation plan was approved at the 2007 Annual General Meeting held on 23 May 2008: the payment of dividends of RMB2.0 (tax included) with the payout of RMB331,722,000 for every 10 shares on the basis of 1,658,610,000 shares in the total share capital at the end of 2007. Details please see announcements published in Shanghai Securities Post, China Securities Post and on the website of the Stock Exchange of Hong Kong Limited on 26 May 2008 and the announcement for payment of dividends for 2007 published in Shanghai Securities Post and China Securities Post on 18 June 2008. The dividends referred to above were paid in full.



2. **Issue of Bonds with Warrants**

The proposed issuance of Bonds with Warrants was approved at the Class Shareholder's Meeting held on 10 October 2008. The relevant works are now in progress.

3. **Implementation report of Audit Committee under the Board**

Details was set out in "Corporate Governance Structure and Control Report" in the annual report.

4. **Implementation report of Remuneration Committee under the Board**

Details was set out in "Corporate Governance Structure and Control Report" in the annual report.

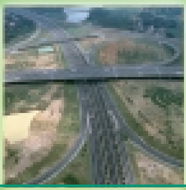
III. Profit Appropriation Plan of 2008

The 2008 profit appropriation plan: The Group's net profit attributable to holders of the parent company as shown on the 2008 consolidated financial statements prepared in accordance with the PRC Accounting Standards was RMB691,802 thousands. The Group's net profit attributable to holders of the parent company as shown on the 2008 consolidated financial statements prepared in accordance with the Hong Kong Accounting Standards was RMB670,700 thousands. The Group appropriated RMB76,059 thousands of net profit to the statutory reserve fund, including the Company's appropriation to statutory reserve fund of RMB70,014 thousands and a subsidiary Xuanguang's appropriation to statutory reserve fund attributable to the Company of RMB6,045 thousands. Consequently, the profit attributable to shareholders was RMB615,743 thousands and RMB594,641 thousands in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards respectively. Pursuant to relevant regulations of the State, the profit attributable to shareholders should be the lower of that calculated in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards. Accordingly, the 2008 profit attributable to shareholders was RMB594,641 thousands. The Board of the Company recommended the payment of a final dividend of RMB381,480 thousands on the basis of RMB2.3 for every 10 shares (tax included) based on the total share capital outstanding at the end of 2008 of 1,658,610,000 shares. In 2008 no transfers of share capital from capital reserves were involved.

IV. Profit Appropriation for the Last Three Years

Unit: RMB'000

Appropriation year	Dividends (tax included)	Net profit of the appropriation year	Rate (%)
2005	464,410.80	659,248.36	70.45
2006	414,652.50	815,427.72	50.85
2007	331,722.00	529,770.62 (Restated)	62.62

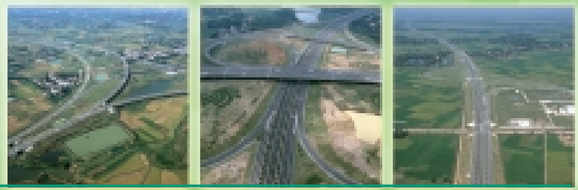

V. Other Events

1. The statement in specific details by the certified public accountant about the capital allocation between the Company's controlling shareholder and other related parties.

PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. stated in specific details about the capital allocation between the Company's controlling shareholder and other related parties pursuant to the requirements under the "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties" (Zheng Jian Fa [2003] No.56).

2. The statement in specific details and the independent opinion of Independent Directors on accumulated and current external guarantees

The Independent Directors find that the Company has not provided any guarantee to the controlling shareholder and other related parties as at the end of the reporting period. Pursuant to the principle as implied in "Notice concerning the regulation on the flow of funds between listed companies and their related parties and the provision of guarantees by listed companies to external parties", each independent director of the Company expresses independent opinion.



I. Business Environment

Economic development is a key factor determining the traffic demand growth. The toll highway projects currently operated by the Group are all located within Anhui Province. The economic development of Anhui Province and neighboring provinces (in particular, the Yangtze River Delta) is closely linked to the operating performance of the Group's highway projects.

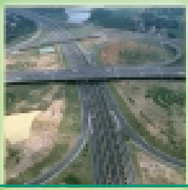
In 2008, the GDP of Anhui Province amounted to RMB887.42 billion, represented an increase of 12.70% over last year based on comparable price, the growth rate topped 11 across the country, topped 3 among the Six Provinces in Middle and topped 2 among the Six Provinces and Shanghai City in Eastern China ; per capita GDP amounted to RMB14,485 (equivalent to US$ 2,085), an increase of RMB2,440 over last year. The total retail sales of consumer goods for the whole year amounted to RMB296.55 billion, an increase of 23.4% over last year, of which automobiles increased by 39.3%.

II. Analysis of Business Operation

(I) Results summary (in accordance with the PRC Accounting Standard)

The Group's profit mainly came from the operation of toll highways. As at the end of the reporting period, the Group operated six toll highways, including five expressways and one national trunk. The profile of the toll highways was set out in the "Profile of highways" in the appendix. As the turnover and results for the year were mainly derived from the operation of toll roads by the Group in Anhui Province, no analysis on the Group's turnover and contribution to operating profits in terms of segments and geographical regions was presented.

During the reporting period, the Group achieved the operating income of RMB1,689,557 thousands (2007: RMB1,688,879 thousands), representing an increase of 0.04% over the corresponding period of the previous year; Total profit of RMB987,225 thousands (2007: RMB1,123,463 thousands), representing a decrease of 12.13% over the corresponding period of the previous year; Net profit attributable to shareholders of the Company of RMB691,802 thousands (2007: RMB529,771 thousands), representing an inrease of 30.59% over the corresponding period of the previous year; Basic earnings per share of RMB0.417 (2007: RMB0.319), representing an increase of 30.72% over the corresponding period of the previous year. The increase of net profit was mainly due to the decrease of income tax expenses compared with that of 2007. The Company was subject to an income tax rate of 25% (2007:33%) for the year 2008 and was required to settle the outstanding 2006 income tax payment of approximately RMB 149,550 thousands in 2007.

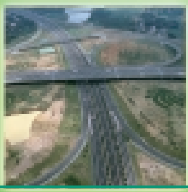

Composition and percentage of operating income (including toll revenue and other business income) was as follows:

Projects	**2008 (RMB'000)**	**Percentage of total revenue (%)**	2007 (RMB'000)	Percentage of total revenue (%)
Hening Expressway	**627,547**	**37.14**	645,125	38.20
New Tianchang Section of National Trunk 205	**44,987**	**2.66**	68,500	4.06
Gaojie Expressway	**464,341**	**27.48**	460,426	27.26
Xuanguang Expressway	**300,446**	**17.78**	287,449	17.02
Lianhuo Expressway Anhui Section	**206,074**	**12.20**	189,169	11.20
Ninghuai Expressway Tianchang Section	**46,162**	**2.74**	38,210	2.26
Total	**1,689,557**	**100.00**	1,688,879	100.00

(II) Operations of toll highways

1. Operation of various sections

Name of roads	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Terms of operation
Hening Expressway	134	4	8	3	Commencing from 16 August 1996 to 15 August 2026
New Tianchang Section of National Trunk 205	30	4	1	—	Commencing from 1 January 1997 to 31 December 2026
Gaojie Expressway	110	4	3	4	Commencing from 1 October 1999 to 30 September 2029
Xuanguang Expressway	84	4	4	2	Commencing from 1 January 1999 to 31 December 2028 (South Ring Road: Commencing from 1 September 2003 to 31 December 2028)
Lianhuo Expressway Anhui Section	54	4	5	1	Commencing from 1 January 2003 to 30 June 2032
Ninghuai Expressway Tianchang Section	14	6	1	1	Tentatively fixed at three years Commencing from 18 December 2006, The formal toll collection period will be determined by the future evaluation.


Name of roads	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2008	2007	Change (%)	**2008**	2007	Change (%)
Hening Expressway	100%	**13,846**	14,310	-3.24	**584,984**	628,958	-6.99
New Tianchang Section of National Trunk 205	100%	**5,980**	7,983	-25.09	**43,908**	66,427	-33.90
Gaojie Expressway	100%	**9,403**	9,631	-2.37	**441,550**	449,150	-1.69
Xuanguang Expressway	55.47%	**10,498**	9,996	5.02	**298,253**	285,652	4.41
Lianhuo Expressway Anhui Section	100%	**7,281**	7,069	3.00	**198,115**	184,640	7.30
Ninghuai Expressway Tianchang Section	100%	**11,061**	9,478	16.70	**42,772**	36,389	17.54

Name of roads	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per vehicle (RMB)		
		2008	2007	**2008**	2007	Change (%)
Hening Expressway	100%	**59:41**	57:43	**115.43**	120.42	-4.14
New Tianchang Section of National Trunk 205	100%	**44:56**	40:60	**20.06**	22.80	-12.02
Gaojie Expressway	100%	**38:62**	35:65	**128.30**	127.77	0.41
Xuanguang Expressway	55.47%	**50:50**	46:54	**77.62**	78.29	-0.86
Lianhuo Expressway Anhui Section	100%	**35:65**	32:68	**74.34**	71.56	3.88
Ninghuai Expressway Tianchang Section	100%	**72:28**	65:35	**10.56**	10.52	0.38

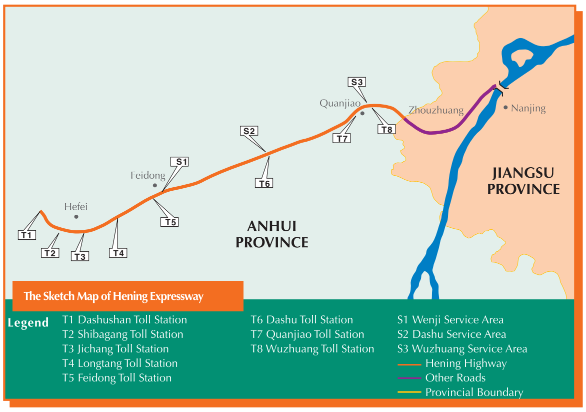
Unit: RMB'000

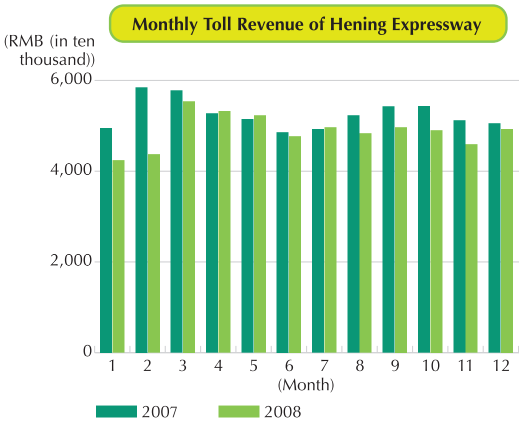
Name of roads	Operating income	Operating costs	Operating profit rate (%)	Change in operating income (%)	Change in operating costs (%)	Change in Operating profit rate (%)
Hening Expressway	627,547	167,389	60.46	-2.72	67.99	-9.25
New Tianchang Section of National Trunk 205	44,987	24,874	28.34	-34.33	1.50	-19.60
Gaojie Expressway	464,341	110,805	66.64	0.85	-3.99	3.96
Xuanguang Expressway	300,446	82,629	48.37	4.52	12.65	-46.07
Lianhuo Expressway Anhui Section	206,074	89,867	42.87	8.94	12.97	0.86
Ninghuai Expressway Tianchang Section	46,162	23,749	34.46	20.81	10.30	5.33
Total	1,689,557	499,313	56.28	0.04	20.61	-10.80

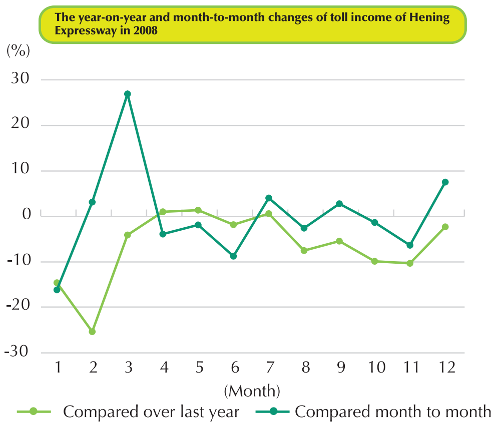
During the reporting period, as a result of the financial crisis and snow disaster at the beginning of 2008, the toll revenue of the Group decreased by 2.52% over last year. Resulted from the slowdown of the whole society's economic activities, traffic volumes of goods vehicles decreased noticeably.

Hening Expressway

During the year, toll revenue amounted to RMB584,984 thousands, representing a decrease of 6.99% over last year; Average daily traffic volume reached 13,846, representing a decrease of 3.24% over last year. In recent years, constantly densifying of highway network at the north part of Anhui Province and the Widening from four-lane to eight-lane resulted in the decrease of traffic volumes and toll revenue of Hening Expressway.



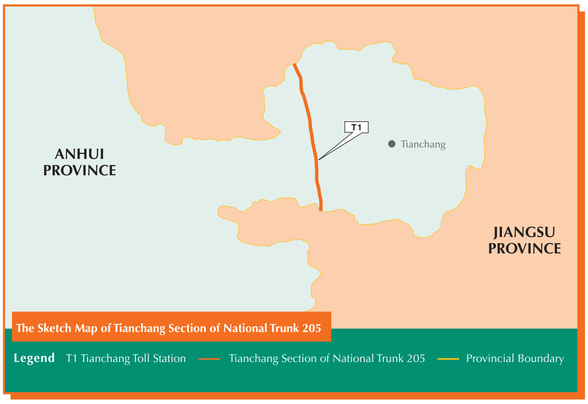


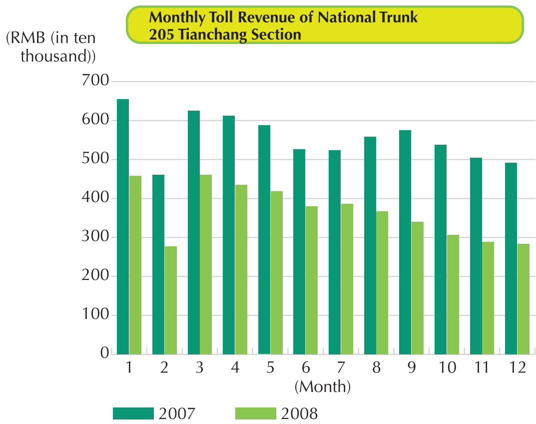


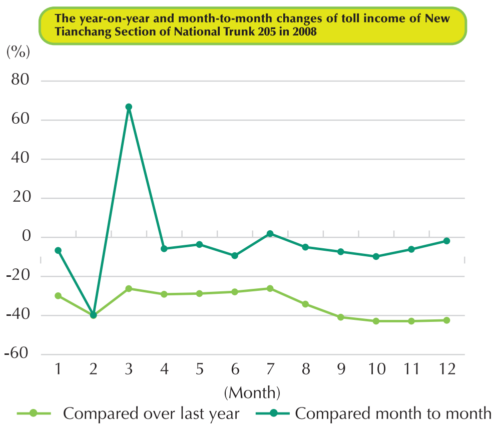
New Tianchang Section of National Trunk 205

During the year, toll revenue amounted to RMB43,908 thousands, representing a decrease of 33.90% over last year; Average daily traffic volumes reached 5,980, representing a decrease of 25.09% over last year,

During the reporting period, Ninghuai Expressway Tianchang Section continued to diversify the traffic volumes of new Tianchang Section of National Trunk 205 and the traffic volumes decreased substantially. With the calculation combining the above two highways, the traffic volumes were 17,041, representing a decrease of 2.41% compared with that of the corresponding period of last year and the toll revenue was RMB86,680 thousands, representing a decrease of 15.69% compared with that of the corresponding period of last year.

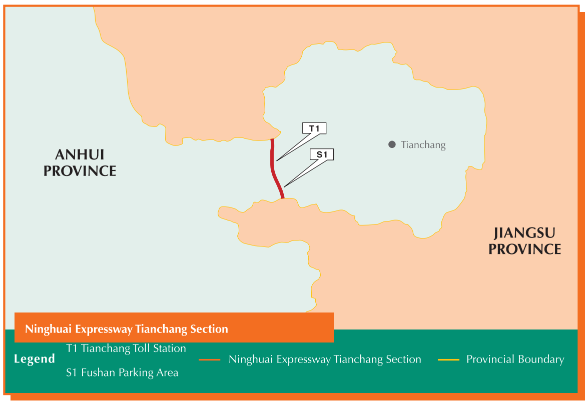


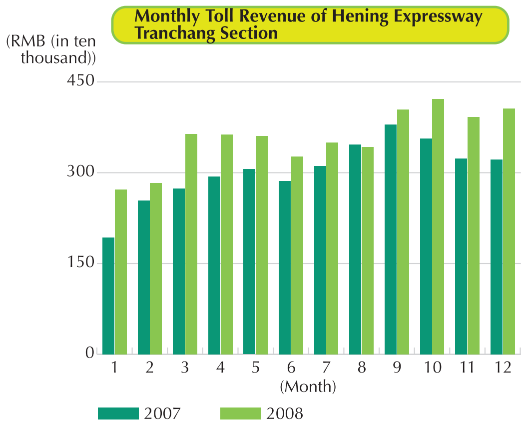


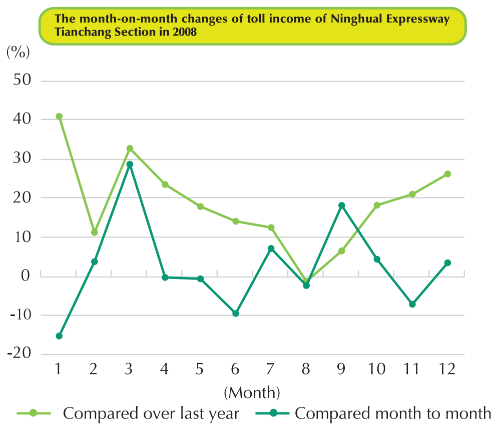


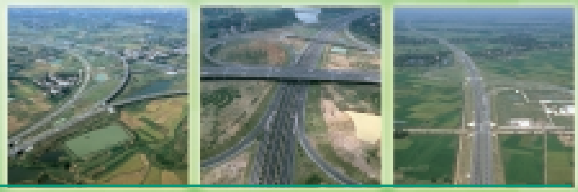
Ninghuai Expressway Tianchang Section

During the year, toll revenue amounted to RMB42,772 thousands, representing an increase of 17.54% over last year; Average daily traffic volume reached 11,061, representing an increase of 16.70% over last year, which was mainly due to the traffic volumes of New Tianchang Section of National Trunk 205 transferring to the section..



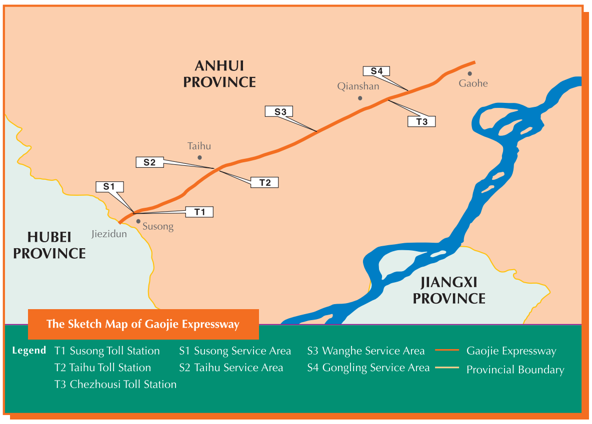


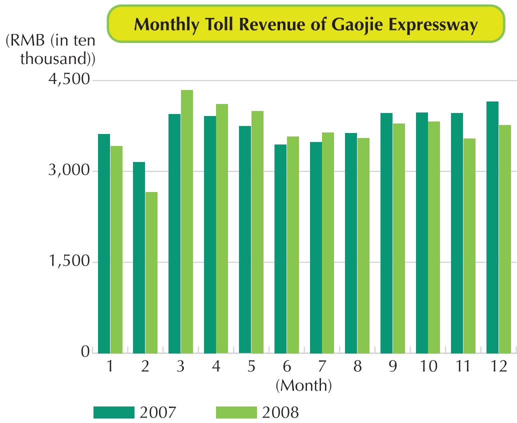


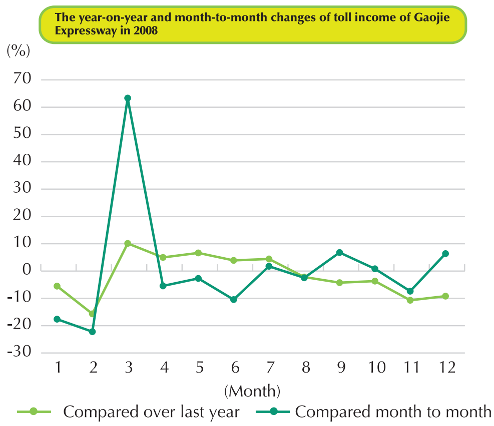


Gaojie Expressway

During the year, toll revenue amounted to RMB441,550 thousands, representing a decrease of 1.69% over last year; Average daily traffic volumes reached 9,403, representing a decrease of 2.37% over last year. Gaojie Expressway was now being constructed, which had a certain impact on the traffic volumes.

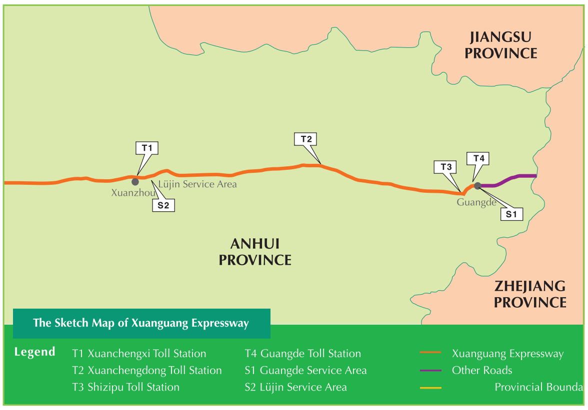


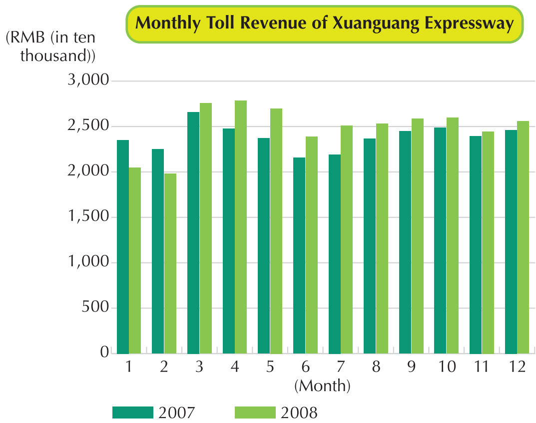


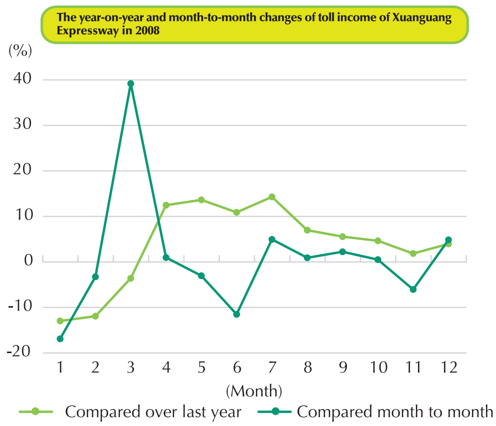


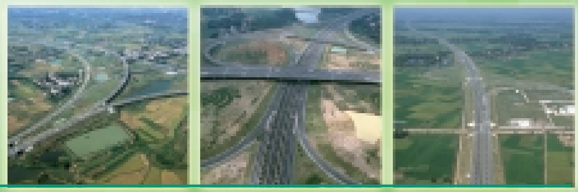
Xuanguang Expressway

During the year, toll revenue amounted to RMB298,253 thousands, representing an increase of 4.41% over last year; Average daily traffic volumes reached 10,498, representing an increase of 5.02% over last year. The increase of toll revenue was mainly due to the natural increase oftraffic volumes.



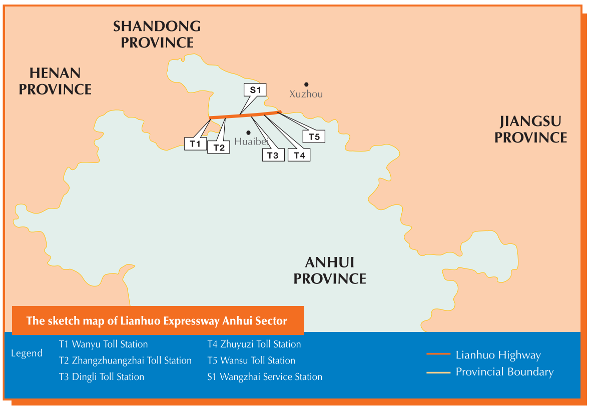


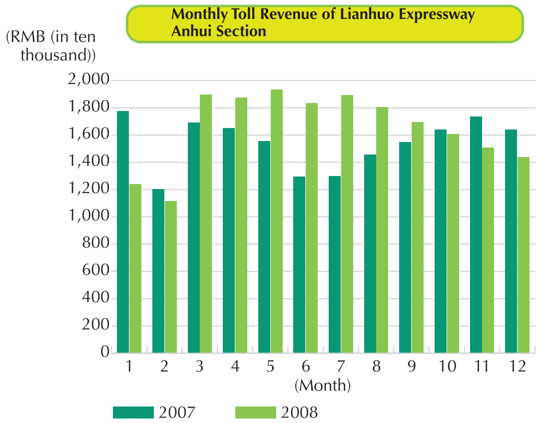


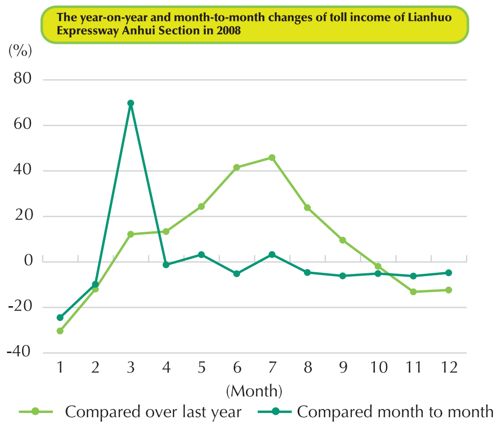


Lianhuo Expressway Anhui Section

During the year, toll revenue amounted to RMB198,115 thousands, representing an increase of 7.30% over last year; Average daily traffic volumes reached 7,281, representing an increase of 3.00% over last year. The increase of toll revenue was mainly due to the natural increase oftraffic volumes.







(III) Operating conditions and results of principal subsidiaries and investee companies of the Company (In accordance with the PRC Accounting Standards)

Unit: RMB'000

Name of companies	Interests held by the Group	Registered capital	Assets	Net profit (Loss)	Principal business
Xuanguang Company	55.47%	111,760	1,401,147	108,974	Construction, management and operation of Xuanguang Expressway
Kangcheng Pharmaceutical	65%	10,000	4,281	-399	Research, development and transfer of Western and Chinese medicine and scientific research results of medical apparatus and instruments
Expressway Advertisement	38%	50,000	100,173	7,768	Design, making, release and agency of domestic advertisements
Information Investment	18%	100,000	141,699	9,335	Information infrastructure investment, information technology service, information engineering consultation and supervision
NingXuanhang Company	70%	100,000	100,000	—	Construction, design, supervision, toll collection, maintenance, management and technical consultation of highways and supporting service

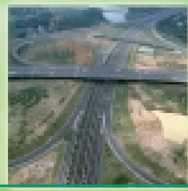
Note 1: All the above companies are incorporated in the PRC

Note 2: The registered capital of Expressway Advertisement was changed to RMB50,000,000 in September 2008, the Company invested an additional of RMB17,556,000. After the increase of investment, the Company had a total investment of RMB19,000,000 with shares of equity interests unchanged.

Note 3: Ningxuanhang Company will be engaged in construction and operation of Ningxuanhang Expressway (ANhui Section). As at 31 December 2008, Ningxuanhang Company was still in the process of setting up.

(IV) Principal customers and suppliers

As the principal customers of the Company are users of toll highways, whereas the principal suppliers of the Company are contractors of toll highways, there is no further information on principal customers and suppliers to be disclosed.


III. Project Investment

(I) Equity investment of the Company

Unit: RMB'000

The Company's investment amount during the reporting period	86,518
Increase/decrease of the Company's investment amount during the reporting period	85,563
Change of Company's investment amount during the reporting period (%)	8,959

Investments in 2008 were as follows:

1. The Company partnered with Xuancheng City Transportation Construction Investment Company Limited to set up Ningxuanhang Company for joint investment on 2 April 2008. The registered capital of Ningxuanhang Company was RMB100 million, the Company invested RMB70 million to hold 70% shares. As of 31 December 2008, the first-phase preparations was being made.

2. The Company partnered with Anhui Provincial Xiandai Transportation Economic Development Company and Anhui Anlian Expressway Company Limited to set up Expressway Advertisement for joint investment on 8 August 2002. The original registered capital of Expressway Advertisement was RMB3,800,000.00, the Company held 38% shares. As of August 2008, The registered capital of Expressway Advertisement increased by RMB46,200,000.00, among which the Company invested RMB 17,556,000.00. After the increase of registered capital, the Company still holds 38% shares. The capital verification report of the above increase of registered capital has been issued by Anhui Anrui Accountant Firm.

   Details of the invested Companies please see "Operating conditions and results of principal subsidiaries and investee companies of the Company".

(II) Investments of non-fun-raising

1. Widening from four-lane to eight-lane of Hening Expressway

The Widening from four-lane to eight-lane of Hening Expressway with the section of Dashushan to inter-connected interchange of Longxi commenced in August 2006. The widening works is to be completed within 3 years with a total length of 42.64 km. A plan of "Principally merging on both sides and partial segregation" is adopted for the widening works. The total investment of the widening works is expected to be approximately RMB1.964 billion.

During the reporting period, RMB739 million was invested in the widening works. As at the end of the reporting period, the accumulated investment was RMB1,532 million.

2. Construction of Wantong Expressway Hi-tech Industrial Park

The construction of Wantong Expressway Hi-tech Industrial Park was commenced at the beginning of 2007 with the budgetary estimate of approximately RMB146 million and will be finished at the end of 2009. During the reporting period, RMB44,297 thousands was invested in the construction of Wantong Expressway Hi-tech Industrial Park and the accumulated investment was RMB97,725 thousands.

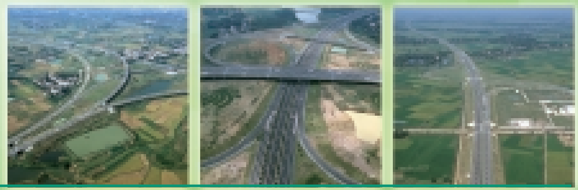
3. Reconstruction of Gaojie Expressway

The reconstruction of Gaojie Expressway was commenced in 2007 with the budgetary estimate of RMB970 million within two years. During the reconstruction, Gaojie Expressway will keep running as usual. During the reporting period, RMB565 million was invested in the reconstruction works. As at the end of the reporting period, the accumulated investment was RMB565 million.

4. Construction of Ningxuanhang Expressway Xuancheng-Ningguo Section

Ningxuanhang Expressway Xuancheng-Ningguo Section is a part of Ningxuanhang Expressway Anhui Section with a total mileage of 44km and investment of RMB3,134 million. At present, first-phase preparations was being made.

During the reporting period, RMB19,631 thousands was invested in the construction works. As at the end of the reporting period, the accumulated investment was RMB19,631 thousands.



IV. Analysis of Financial Condition and Operating Results (In accordance with the PRC Accounting Standards)

(I) Analysis of Financial Condition

Total assets

As at the end of the reporting period, the Group's total assets were RMB8,587,027 thousands, which was increased by 16.23% from RMB7,387,814 thousands at the beginning of 2008. This was mainly due to the substantial increase of intangible assets resulted from the Widening from four-lane to eight-lane of Hening Expressway, reconstruction of Gaojie Expressway and construction of Wantong Expressway Hi-tech Industrial Park.

Current liabilities

As at the end of the reporting period, the Group's current liabilities were RMB3,023,644 thousands, of which RMB2,225,000 thousands was short term borrowings, RMB518,121 thousands was accounts payables, RMB33,884 thousands was staff wages payables, RMB139,776 thousands was tax payables, RMB4,080 thousands was interests payables, RMB86,817 thousands was other payables, (including RMB36,113 thousands of toll income collected on behalf of the inter-network settlement center, RMB37,714 thousands of deposit from engineering projects, RMB988 thousands of road maintenance and central control repair expenses and RMB12,002 thousands of others). Pursuant to the Group's current working capital conditions, the facilities not yet utilized and future funding arrangements, the Group expects that it will have sufficient funds to repay the amounts due to as mentioned above.

Non-current liabilities

As at the end of the reporting period, the Group's non-current liabilities were RMB345,155 thousands, which was mainly the balances of RMB249,568 thousands accrued from the total payables of the investment in Xuanguang Company by Xuancheng Highway Management Company Limited and the registered capital and deferred taxation liabilities of RMB49,587 thousands and government subsidies of RMB46,000 thousands relating to relevant assets of Ninghuai Expressway Tianchang Section.

Shareholders' equities

As at the end of the reporting period, the Group's shareholders' equities (excluding minority interests) was RMB4,998,007 thousands, representing an increase of RMB360,079 thousands from that at the beginning of the year, which was mainly due to the increase of net profit of this year resulting in the increase of unappropriated profit and transfers of surplus reserve.

(II) Analysis of Operating Results

Operating income

The Group's operating income in 2008 was RMB1,689,557 thousands, which was increased by 0.04% from that in 2007, of which income of Hening Expressway, New Tianchang Section of National Trunk 205, Gaojie Expressway, Xuanguang Expressway, Lianhuo Expressway Anhui Section and Ninghuai Expressway Tianchang Second were increased/decreased by -2.72%, -34.33%, 0.85%, 4.52%,8.94% and 20.81% respectively from that in 2007.

Percentage of each highway's toll income to the total revenue (%)

Road	Hening Expressway	New Tianchang Section of National Trunk 205	Gaojie Expressway	Xuanguang Expressway	Lianhuo Expressway Anhui Section	Ninghuai Expressway Tianchang Section	Total
2008	37.14	2.66	27.48	17.78	12.20	2.74	100.00
2007	38.20	4.06	27.26	17.02	11.20	2.26	100.00

Operating costs

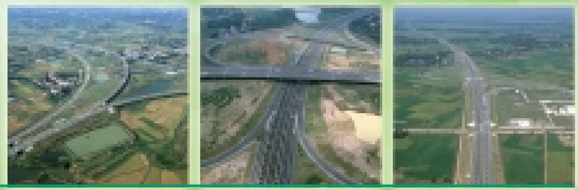
In 2008, the Group's operating costs were RMB499,313 thousands, representing an increase of 20.61% from that in 2007, which was mainly due to the increase of road maintenance expenses and other business costs as a results of change of service areas' operating method.

Specific table of operating costs (Unit: RMB'000)

Project of Costs	Depreciation and amortization	Highways maintenance expenses	Other costs of operations	Total
2008	345,748	68,867	84,698	499,313
2007(Restated)	338,022	43,012	32,946	413,980
Change	2.29%	60.11%	157.08%	20.61%

Administration expenses

In 2008, the Group's administration expenses were RMB128,515 thousands, representing an increase of 35.88% from that in 2007, which was mainly due to the increase of staff's wages.



Finance costs

The financial costs of the Group was approximately RMB61,349 thousands for the year 2008 and RMB-740 thousands in 2007. Pursuant to a resolution at the 9th meeting of second Board of Directors of Xuanguang Company, the settlement period for the long-term payables to Xuancheng Highway Management was substantially changed. Consequently, the Group accounted for this as an extinguishment of the original financial liability and recognition of a new financial liability in accordance with <Accounting Standards for Enterprises No. 22 – Recognition and Measurement of Financial Instruments>. The difference between carrying amount of the original and new financial liability was recognized in the income statement as deduction of finance costs, which led to the significant increase of financial expenses of RMB67,198 thousands.

Investment income

The investment income of the Group was approximately RMB3,852 thousands for the year 2008, which mainly includes the share of Expressway Advertisement's (associated company of the Company) operating results with RMB2,952 thousands and the cash dividends received from Information Investment with RMB900 thousands.

Non-operating expenses

In 2008, the Group's non-operating expenses were RMB25,567 thousands, which mainly included removal of auxiliary assets of expressway resulted from Widening from four-lane to eight-lane of Hening Expressway.

Income taxation

Income tax of the Group was approximately RMB247,037 thousands for the year 2008 which was decreased by 51.25% compared with prior year. It was mainly because that the Company was subject to an income tax rate of 25% (2007:33%) for the year 2008 and was required to settle the outstanding 2006 income tax payment of approximately RMB 149,550 thousands in 2007.

Net profit

In 2008, the net profit of the Group was RMB740,188 thousands, net profit attributable to shareholders of the parent company was RMB691,802 thousands, representing an increase of 20.03% and 30.59% respectively compared with that of the corresponding period of last year. The main reason for the increase in net profit was the substantial decrease of the above income taxation.

(III) Cash flow analysis

In 2008, the Group's net cash flow from operating activities was RMB1,033,543 thousands, decreased by 11.33% from that in 2007, which was mainly due to the increase of cash Cash paid for goods and services.

In 2008, the Group's net cash outflow from investing activities was RMB1,244,772 thousands, which was mainly used for Widening from four-lane to eight-lane of Hening Expressway, reconstruction of Gaojie Expressway and construction of Wantong Expressway Hi-tech Industrial Park.

In 2008, the Group's net cash inflow from financing activities was RMB335,285 thousands, which was mainly due to the increase of bank loans.

In 2008, the Group's bank loans were RMB3,085,000 thousands in aggregate. As at the end of the reporting period, the balance of bank loans was RMB2,225,000 thousands. Interest rates for the above bank loans were between 4.536% to 7.097%. All bank loans were repayable within 12 months.

The Group is awarded with good credit ratings. In 2008, the total credit facilities granted during the year was RMB2,570 million, and the facilities not yet utilized were RMB345 milliom.

(IV) Capital expenditures

In 2008, the Group's capital expenditure totaled RMB1,475 million, which mainly comprised the Widening from four-lane to eight-lane of Hening Expressway, reconstruction of Gaojie Expressway and construction of Wantong Expressway Hi-tech Industrial Park, which was funded by internal resources and current capital from bank loans.

As at the end of the reporting period, outstanding capital commitments of the Group were as follows:

The capital expenditure commitment of the Widening from four-lane to eight-lane of Hening Expressway was RMB65,617 thousands authorized by the Board but not contracted for; RMB441,559 thousands contracted for but not necessarily confirmed in the financial statement.

The capital expenditure commitment of reconstruction of Gaojie Expressway was RMB136,120 thousands authorized by the Board but not contracted for; RMB277,441 thousands contracted for but not necessarily confirmed in the financial statement.

(V) Capital structure analysis

In terms of capital liquidity:

	31 December 2008	31 December 2007
		(Restated)
	(%)	(%)
Current liabilities	**35.21**	29.69
Non-current liabilities	**4.02**	4.55
Shareholders' equities attributable to the Company	**58.20**	62.78
Minority interests	**2.57**	2.98

In terms of interest rates:

	31 December 2008	31 December 2007
		(Restated)
	(%)	(%)
Fixed interest rate liabilities	**25.91**	18.81
Interest-free liabilities	**13.32**	15.43
Shareholders' equities attributable to the Company	**58.20**	62.78
Minority interests	**2.57**	2.98

The Group's current bank borrowings are all fixed rate liabilities. Fluctuation in interest rates will not have any material impact on the Group's operating results. The Group's floating interest liabilities are mainly general payables and long-term payables to minority shareholders of subsidiaries.

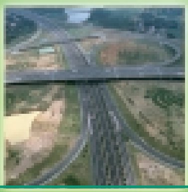
The Group's overall liabilities are at a low level with a sound and solid capital structure.

On 31 December 2008, the Group's current liabilities exceeded its current assets RMB2,470,180 thousands. Pursuant to the board resolution made on 6 March 2009, the Company's senior management proposed to issue corporate bonds and increase its credit limit with the banks by RMB890,000 thousands in order to assist in the Company's repayment of its current liabilities. If the said corporate bonds are not issued as expected, the Company's senior management proposes to increase its debt repaying ability by the following ways in 2009:

(1) to apply to the People's Bank of China for a medium-term (3 to 5 years) non-guaranteed loan ("medium-term note"); or

(2) to apply to the People's Bank of China for its approval to issue short term commercial paper; or

(3) to continue to increase the credit limit with the banks.


The Company's senior management believes that the Company has the capacity to apply for the aforesaid medium-term note and short term commercial paper, for instance the Company has stable source of capital for repaying the debts and the net profits recorded in the last accounting year. Therefore, the Company is capable of repaying its current liabilities when they are due without disposing of its assets or reducing its size of its operations.

V. Reasons and Impact from Change of Major Accounting Policy

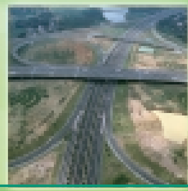
1. Participation in construction of public infrastructure in the form of Build-Operate-Transfer ("BOT")

According to "Interpretation No.2 to the Accounting Standards for Enterprises" (the "Interpretation No.2") issued by the Ministry of Finance of the PRC on 12 September 2008 in relation to participation in construction of public infrastructure in the form of BOT, if service concession agreements entitle enterprises to charge fees from users during a stipulated operating period after construction of relevant infrastructures are completed and the amount of fees chargeable is uncertain, enterprises shall recognize construction revenue and an intangible assets during the construction period. If enterprises don't provide any actual construction services but sub-contract infrastructure construction work to other parties, enterprises should not recognize construction revenue but recognize an intangible assets at actual construction cost. Besides, expenditure estimated to be incurred to maintain the toll roads in a good condition prescribed in the service concession agreements before returning the toll roads to the grantor at the concession period end should be accounted as a provision in accordance with "Accounting Standards for Enterprises No.13 – Contingencies".

Construction, operation and management of toll roads by the Group are defined as participation in the construction of public infrastructure in the form of BOT. However, as the Group has not provided any actual construction services and has sub-contracted infrastructure construction work to other parties, the Group has adjusted its financial statements retrospectively in accordance with the aforementioned accounting standards. Relevant figures have been retrospective adjusted. Significant retrospective adjustment has been made to the following:

(1) ***Toll roads and relevant land use rights***

Toll roads and relevant land use rights of the Group were previously audited as fixed assets and intangible assets respectively. After retrospective adjustments, the Group's toll roads and relevant land use rights are stated as "intangible assets – service concession assets".



(2) *Toll roads maintenance fees*

The Group's toll roads fees were previously accounted as cost of sales upon occurrence. After retrospective adjustments, toll roads maintenance fees are accounted as cost of sales when actual incurred or expected to be incurred to maintain the toll roads in a good condition prescribed in government standards as a consequence of use of the road during the operation period with an reliable estimated amount.

These changes in accounting policies have been applied retrospectively and resulted in the following financial impac:

The Group	**31 December 2008 RMB**	31 December 2007 RMB
Decrease in fixed assets	**(4,583,909,554.61)**	(4,840,981,306.70)
Decrease in construction in progress	**(2,072,203,200.50)**	(735,064,229.66)
Increase in intangible assets	**6,656,112,755.11**	5,576,045,536.37
Increase in deferred tax assets	**3,991,498.06**	5,056,547.72
Increase in other current liabilities	**(15,965,992.23)**	(20,226,190.86)
Decrease in surplus reserves	**1,177,542.74**	1,492,291.23
Decrease in retained earnings	**10,708,307.00**	13,567,482.64
Decrease in minority interest	**88,644.43**	109,869.26

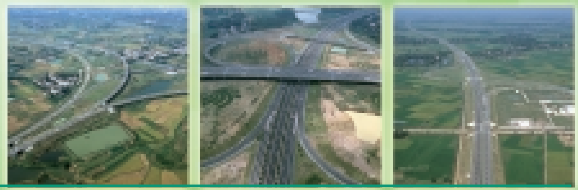
	Year of 2008 RMB	Year of 2007 RMB
Decrease in cost of sales	**(4,260,198.63)**	(26,930,735.42)
Increase in income tax	**1,065,049.66**	10,505,237.95
Increase in minority interest	**21,224.83**	65,218.62

The opening retained earnings at 1 January 2007 have been decreased by about RMB28,299,857.75 as a result of this change in accounting policy.

The Company	**31 December 2008 RMB**	31 December 2007 RMB
Decrease in fixed assets	**(3,981,010,193.30)**	(4,192,048,655.32)
Decrease in construction in progress	**(2,014,556,187.52)**	(714,108,493.47)
Increase in intangible assets	**5,995,566,380.82**	4,906,157,148.79
Increase in deferred tax assets	**3,925,142.47**	4,974,304.09
Increase in other current liabilities	**(15,700,569.87)**	(19,897,216.35)
Decrease in surplus reserves	**1,177,542.74**	1,492,291.23
Decrease in retained earnings	**10,597,884.66**	13,430,621.03

	Year of 2008 RMB	Year of 2007 RMB
Decrease in cost of sales	**(4,196,646.48)**	(26,672,857.93)
Increase in income tax	**1,049,161.62**	10,393,820.42

The opening retained earnings at 1 January 2007 have been decreased by about RMB28,081,754.79 as a result of this change in accounting policy.



2. Safety funds

Safety funds of the Group were previously accounted as cost of sales and long-term payables when accrued. Safety funds related to capital expenditure were recognized as a fixed asset after completion of construction. Depreciation of the fixed assets was fully provided in the form of debiting long-term payables – safety fund and crediting accumulated depreciation. Safety funds related to expense were reversed to long-term payables – safety fund.

According to "Basis for Conclusions of Accounting Standards for Enterprises 2008" issued by the Ministry of Finance of the PRC on 26 December 2008, safety funds balance should be transferred to surplus reserve – specific reserve. Any utilization of the funds should be treated as an appropriation to reserves, which will be credited to retained earnings until the reserve balance is zero.

These changes in accounting policies have been applied retrospectively and resulted in the following financial impact:

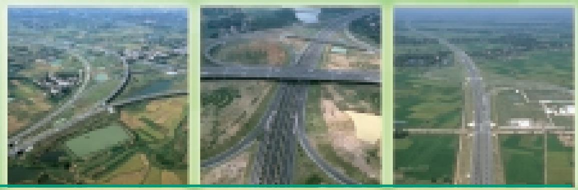
The Group	**31 December 2008** **RMB**	31 December 2007 RMB
Increase in fixed assets	**3,840,734.91**	4,065,389.74
Decrease in deferred tax assets	**(8,260,076.49)**	(9,209,035.83)
Increase in tax payables	**(173,887.04)**	—
Decrease in long-term payables	**31,797,475.59**	34,673,109.95
Increase in surplus reserves	**(35,109,073.58)**	(35,498,840.93)
Decrease in retained earnings	**8,916,962.25**	7,895,841.05
Increase in minority interest	**(1,012,135.64)**	(1,926,463.98)

	Year of 2008 **RMB**	Year of 2007 RMB
Increase in cost of sales	**3,100,289.19**	2,081,276.27
(Decrease) Increase in income tax	**(775,072.30)**	2,316,422.07
Decrease in minority interest	**(914,328.34)**	(360,296.57)

The opening retained earnings at 1 January 2007 have been decreased by about RMB4,579,872.42 as a result of this change in accounting policy.:

The Company	**31 December 2008**	31 December 2007
	RMB	RMB
Increase in fixed assets	**2,287,582.11**	2,650,156.39
Decrease in deferred tax assets	**(7,775,268.26)**	(7,775,268.26)
Increase in tax payables	**90,643.57**	—
Decrease in long-term payables	**30,328,359.75**	30,328,359.75
Increase in surplus reserves	**(35,109,073.58)**	(35,498,840.93)
Decrease in retained earnings	**10,177,756.41**	10,295,593.05
	Year of 2008	Year of 2007
	RMB	RMB
Increase in cost of sales	**362,574.28**	362,574.28
(Decrease) Increase in income tax	**(90,643.57)**	3,226,014.30

The opening retained earnings at 1 January 2007 have been decreased by about RMB7,428,437.61 as a result of this change in accounting policy.



VI. Business Development Environment and Plan

Development environment

Since last year, the economic conditions at home and abroad complicated and changeable, the world financial crisis became worse and worse, resulted from which, the economic activities of the whole society had influence and the increase rate slowed down. Moreover, the phase feature of the accelerating rise of Anhui Province has not changed, the trend of the accelerating industrialization and urbanization has not changed and the general situation of the steady and rapid economic development has not changed. This will bring good development opportunities for the traffic and transportation industry. Nevertheless, due to the global financial crisis, the traffic and transportation industry also faces unprecedented impacts and difficulties.

Facing complicated changes in domestic and international economic conditions and the increasingly severe international financial crisis in the previous year, the PRC government made timely adjustments to the direction and emphasis of macro regulation and control, adopted a series of policies and measures aiming at expanding domestic demand and maintaining steady and rapid economic growth, implemented active fiscal policies and moderately loose monetary policies and sped up the construction of transport infrastructures. In 2009, Anhui Province will take the opportunity to carry out construction of expressways on a large scale. Effort will be made to accelerate the construction of the seven projects under construction including Maanshan Yangtze River Bridge, and procure the Luwu Expressway, Luhuang Expressway and Huangqian Expressway to be completed and open to traffic in the year, thus rendering the total mileage of expressway in Anhui Province in excess of 2,740 km. Construction of four expressways, namely Fuxin Expressway, Xuanning Expressway, Ningji Expressway and the Huaibei Section of Sixu Expressway, with a total length of 244 km, will commence in 2009.

Work plan for 2009

In 2009, the Company will seize various opportunities arising from the domestic demand expansion policies to increase investment, enhance scientific management, promote the healthy and rapid development of its expressway operations and reward the shareholders with better results.

1. Procure completion of the widening of Hening Expressway and the reconstruction of Gaojie Expressway on a timely and satisfactory basis and strive to commence the construction of the Xuancheng-to-Ningguo Section of Ningxuanhang Expressway within the year.

2. Improve networking toll work and promote the use of automatic card issuing machines and install movable toll equipment at toll stations with appropriate condition to increase traffic capacity. Effectively conduct the construction and management of non-stop toll system.

3. Constantly improve the business practice and service quality of toll collectors to build a smiling service brand and provide quality and proper services for drivers and passengers.

4. Further strengthen the preventive maintenance of roads and bridges, enhance cost control and improve the level of scientific maintenance.

The Group will continue to focus on its toll road operations, adopt a development strategy emphasizing on intensive development and extensive expansion, adhere to the principle of expanding core business, further increase our market share in the toll road market of Anhui Province and build the Company into a large toll road company featuring significant core business, healthy operation, sound governance structure and high management level.

Li Yungui
General Manager

Hefei, Anhui, the PRC
6 March 2009

I. Meetings and the Resolutions of the Supervisory Committee during the Reporting Period

In 2008, all members of the Supervisory Committee have strictly complied with the requirements of the "Corporate Law", "Listing Rules", "the Articles of Association" of the Company and "the Standing Orders of the Supervisory Committee". Under the general principle of the faith, they performed their duties prudently and actively with an aim to protect the statutory interests of the shareholders and the Company.

In 2008, the Supervisory Committee held four meetings, the notice, convening and resolutions of which were in accordance with the statutory procedures.

The major events the Supervisory Committee considered and examined including:

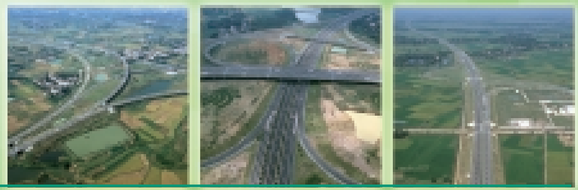
Supervisory Committee meetings	**Contents of Supervisory Committee**
12th meeting of the 4th Supervisory Committee	— To consider and examine the 2007 working report of the Supervisory Committee; — To consider and examine the 2007 annual report (including results announcement, summary of annual report and audited financial statement) — To consider and examine the 2007 annual profit appropriation proposal
13th meeting of the 4th Supervisory Committee	— To consider and examine the 2008 first quarterly report
First meeting of the 5th Supervisory Committee	— To consider and examine the 2008 interim report
Second meeting of the 5th Supervisory Committee	— To consider and examine the 2008 third quarterly report

The Supervisory Committee attended all the Board meetings, examined the subscription of written resolution of the Board and effectively supervised the management behaviors of Directors, the Management and the Senior Management and the decision-making situations of the Company. During the reporting period, there was no negotiation and charge to directors of the Company by representative of supervisor involved.

II. Independent Opinion of the Supervisory Committee

1. Compliance with law in operations

During the reporting period, the Supervisory Committee conducted supervisions on the procedures for convening shareholders' general meetings and Board meetings, matters to be resolved, implementation of resolutions of general meetings by Directors, and implementation of Board resolutions by the management, and considered that the procedures for the Company's establishment of various systems were regularized, system implementations, daily operation and management activities were operated in accordance with the laws and regularized operations, the internal system constantly perfected and the corporate governance improved.



The Directors and senior management of the Company were able to prudently and diligently perform their duties for the overall benefits of the shareholders and the Company. There were no actions in violation of the laws and regulations, and no abuse of powers or actions which might harm the benefits of the Company and the interests of the shareholders and the staff.

2. Financial situation of the Company

The Supervisory Committee carefully examined the 2008 financial report, profit appropriation plan and other accounting documents, considered that the financial income and expenses account of the Company was clear, the accounting calculation and financial management conformed with relevant rules and did not find questions. The Group's domestic and overseas auditors have audited the Company's 2008 financial reports based on the PRC GAAP and HKFRS respectively, and have issued standard and unqualified opinions on the consolidated financial statements. Having made reviews, the Supervisory Committee considered that the audit reports were objective, true, and fairly reflected the financial situation, operation results and cash-flow of the Company.

3. Assets Acquired or Sold by the Company

During the reporting period, there was no assets acquired or sold by the Company.

4. Connected Transactions of the Company

The Supervisory Committee was of the opinion that all contracts, agreements and other relevant documents pertaining to the connected transactions complied with the laws. These contracts and agreements were fair and reasonable, without prejudice to the interests of the Company and its shareholders. The connected transactions were conducted strictly in compliance with fair, partial and open principles. In order to safeguard the interests of the public shareholders, the Company processed the connected transactions of which its controlling shareholders are parties to it in accordance with applicable requirements. No act of which is damaging to the interests of the public shareholders was reported.

The Supervisory Committee will abide with its prudent and diligent style, conscientiously implementing the duties of the Supervisory Committee and protect the legal interests of shareholders.

By Order of the Supervisory Committee
Li Huaijie
Chairman

Hefei, Anhui, the PRC
6 March 2009

I. MATERIAL LITIGATION AND ARBITRATION

The Company was not involved in any material litigation or arbitration during the reporting period.

II. MATERIAL ACQUISITIONS AND DISPOSALS OF ASSETS AND MERGERS

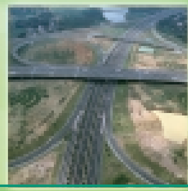
The Company was not involved in any material acquisition and disposal of assets and mergers during the reporting period.

III. SIGNIFICANT CONNECTED TRANSACTIONS

Connected transactions in relation to daily operations

Unit: RMB'000

Connected parties	Contents of connected transactions	Pricing policies of connected transactions	Amounts of connected transactions	Percentage to the similar transactions	Payment method
AEHC	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	3,749	4.69%	Transfer
Anlian Company	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	1,250	1.56%	Transfer
Yanjiang Company	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	1,581	1.98%	Transfer
Hehuaifu Company	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	827	1.03%	Transfer
Expressway Investment	To provide office building lease	Made by negotiations through fair principles with reference to its costs	339	0.42%	Transfer
Yida Company	To provide office building lease	Made by negotiations through fair principles with reference to its costs	366	0.46%	Transfer


Connected parties	Contents of connected transactions	Pricing policies of connected transactions	Amounts of connected transactions	Percentage to the similar transactions	Payment method
Yida Company	To appoint Yida Company to manage the service areas of the Company	Made by negotiations through fair principles with reference to its costs	3,500	7.36%	Transfer
Hehuaifu Company	Construction costs for constructing Hening Expressway on behalf of the Company	Made by negotiations through fair principles with reference to its costs	880	0.12%	Transfer
Expressway Real Estate	Construction costs for phase one and phase two project of Wantong High-tech Industrial Park	Made by negotiations through fair principles with reference to its costs	1,270	0.17%	Transfer
Expressway Investment	Construction costs for the phase three project of Wantong High-tech Industrial Park Park	Made by negotiations through fair principles with reference to its costs	2,566	5.79%	Transfer
Expressway Advertisement	Compensation for destructing 73 advertisement light boxes of Hening Expressway	Made by negotiations through fair principles with reference to its costs	4,762	0.64%	Transfer
Xiandai Transportation	Weather shed construction service expenses of widening of Hening Expressway	Made by negotiations through fair principles with reference to its costs	646	0.09%	Transfer
Inspection Scientific Center	Materials test expenses of widening of Hening Expressway	Made by negotiations through fair principles with reference to its costs	1,848	0.25%	Transfer

Details please see the Note 41 to the financial report in this annual report.

IV. CONFIRMATION BY THE INDEPENDENT DIRECTORS REGARDING CONNECTED TRANSACTIONS

The Independent non-directors of the Company have reviewed the above connected transactions above and confirmed that:

1. The transactions were carried out in the normal and usual course of business of the Company;

2. The transactions were carried out on normal commercial terms (as compared with transactions of similar nature carried out by the similar entities in the PRC) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and

3. The transactions were carried out in accordance with the terms of agreement governing such transactions.

V. MATERIAL CONTRACTS AND THEIR IMPLEMENTATION

1. Material custody, subcontracting and leasing items

During the reporting period, the Company was not involved in any material custody, subcontracting and leasing.

2. Material guarantee

During the reporting period, the Company did not provide guarantee for shareholders, connected persons , holding companies and other companies.

3. Financial entrustment

During the reporting period, the Company was not involved in any financial entrustment.

4. Entrusted Deposit and Overdue Fixed Deposit

During the reporting period, the Company did not have any entrusted deposit with financial institutions in the PRC, neither has the Company experienced any incident of not being able to withdraw fixed deposits when they became mature.

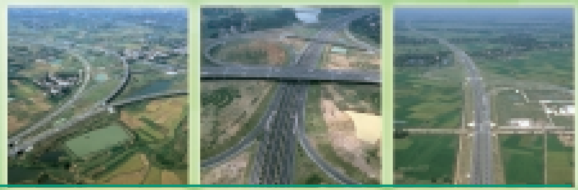
VI. COMMITMENTS BY THE COMPANY AND SHAREHOLDERS HOLDING MORE THAN 5% OF THE TOTAL CAPITAL

(1) Pursuant to the Reorganization Agreement signed by the Company and AEHC on 12 October 1996, AEHC has undertaken that it will not participate in any businesses or activities, which will compete against the Company either directly or indirectly.

(2) Particular undertakings made by the shareholders of non-circulating shares of the Company during the Share Segregation Reform and their implementation.

Name of shareholders	Particular commitments	The implementation of their undertakings
Anhui Expressway Holding Corporation	(1) The Shareholders of Non-circulating Shares have undertaken to pay relevant expenses arising from the Share Segregation Reform proportional to the respective percentages of the Company's Non-circulating Shares held by them immediately prior to the implementation of the Share Segregation Reform; (2) Within 3 years from the implementation date of the Share Segregation Reform Proposal, the Shareholders of Non-circulating Shares undertook to sell their shares, if they need to, with the price not less than RMB8.28 (such price to be calculated on an ex-rights basis if dividends distribution, allotment of shares and capitalization of capital reserve are implemented); The proceeds from any sale by Shareholders of Non-circulating Share in breach of such undertaking shall be reverted to the Company's account for the benefit of all shareholders of the Company;	Implemented their undertakings carefully without breach.

Name of shareholders	Particular commitments	The implementation of their undertakings
Huajian Transportation Economic Development Center	(3) All Shareholders of Non-circulating Shares undertook that, during three continuous years immediately following the completion of implementation of the Reform Proposal, they should propose at the annual general meeting of the Company that the Company's dividends distributable in cash shall not be less than 60% of the period available for distribution to the shareholders for the corresponding periods and undertook to vote for such resolutions at the annual general meeting;	
	(4) Shareholders of Non-circulating Shares undertook that, upon the completion of this Share Segregation Reform, they will make recommendation for formulation of long term incentive scheme, including the share incentive scheme, to the Board of Directors of the Company. Such long-term incentive scheme will be implemented by Board of Directors in accordance with the relevant regulation of the State or upon approval by the general meeting of shareholders;	
	(5) In the future, Anhui Expressway Holding Corporation will continue to support the Company to purchase good-quality road assets owned by Anhui Expressway Holding Corporation, as always, pay attention to protect shareholders' interests.	



VII. APPOINTMENT OF ACCOUNTANTS

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants were approved to be appointed as the PRC auditors and Hong Kong auditors for 2008 respectively at the 2007 Annual General Meeting. The fees paid to the above accountants for 2008 were as follows:

Unit: RMB

	2008 Audit fees	2007 Audit fees
PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd	**925,000**	825,000
PricewaterhouseCoopers Certified Public Accountants	**925,000**	825,000

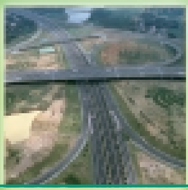
Apart from the said fees, the Company did not pay any other fees to the auditors. Traveling and lodging expenses were paid by the auditors. As at 2008, they have provided services to the Company for 7 years.

VIII. PUNISHMENT BY REGULATORY AUTHORITIES

During the reporting period, neither the Company nor the Board of Directors and its directors were involved in any punishment by the regulatory authorities.

IX. PRE-EMPTIVE RIGHTS

Neither the Articles of Association of the Company nor the PRC laws require the Company to offer pre-emptive rights to its existing shareholders for subscription of new shares according to the proportions of their shareholdings.


Documents Available for Inspection

Including the following documents:

I. The original copy of the Annual Report signed by the Chairman;

II. The accountant's report, signed by the legal representative, accountant director in charge of accounting, and accounting director and stamped with corporate seal;

III. The original copy of auditor's report, sealed by PricewaterhouseCoopers Zhongtian CPAs, signed by the public accountant; the financial statement prepared in accordance with the Chinese Accounting Standards and the original copy of auditor's report signed by PricewaterhouseCoopers CPAs and the financial statement prepared in accordance with the Hong Kong Accounting Standards;

IV. The original copies of corporate documents and announcements published in the Shanghai Securities Post and China Securities Post.

V. The Articles of Association.

Place of inspection:

The Office of the Secretary to the Board of Directors
520 Wangjiang West Road, Hefei, Anhui, the PRC

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羅兵咸永道會計師事務所

PricewaterhouseCoopers
22/F, Prince's Building
Central, Hong Kong
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Facsimile (852) 2810 9888

Independent Auditor's Report

To the shareholders of ANHUI EXPRESSWAY COMPANY LIMITED
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Expressway Company Limited (the "Company") and its subsidiaries (the "Group") set out on pages 92 to 170, which comprise the consolidated and company balance sheets as at 31 December 2008, and the consolidated income statement, the consolidated cash flow statement and the consolidated statement of changes in equity for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and true and fair presentation of the financial statements in order to design audit procedures that are appropriate in the 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 financial statements.

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

Opinion

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

PricewaterhouseCoopers
Certified Public Accountants

Hong Kong, 6 March 2009

Consolidated balance sheet

As at 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2008	2007 (Restated)
ASSETS			
Non-current assets			
Concession intangible assets	7	**7,369,554**	6,293,799
Land use rights	8	**12,482**	13,128
Property, plant and equipment	9	**729,353**	771,644
Investment property	10	**29,781**	22,841
Intangible assets	11	**2,847**	3,485
Investments in associates	14	**23,928**	7,409
Available-for-sale financial assets	15	**18,000**	18,000
		8,185,945	7,130,306
Current assets			
Inventories	17	**1,857**	2,983
Trade and other receivables	16	**20,371**	15,391
Cash and cash equivalents	18	**531,235**	407,178
		553,463	425,552
Total assets		**8,739,408**	7,555,858
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	19	**1,658,610**	1,658,610
Share premium	19	**1,415,593**	1,415,593
Other reserves	20	**74,064**	3,385
Retained earnings			
– Proposed final dividend	36	**381,480**	331,722
– Others		**1,601,681**	1,383,140
		5,131,428	4,792,450
Minority interest in equity		**220,221**	220,882
Total equity		**5,351,649**	5,013,332

The notes on pages 99 to 170 are an integral part of these consolidated financial statements.

As at 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

		As at 31 December	
	Note	**2008**	2007
LIABILITIES			(Restated)
Non-current liabilities			
Long-term payables	25	**249,568**	235,070
Deferred income tax liabilities	26	**68,547**	66,303
Deferred income	21	**46,000**	48,000
		364,115	349,373
Current liabilities			
Trade and other payables	22	**664,229**	574,867
Current income tax liabilities		**118,449**	208,061
Provision	24	**15,966**	20,225
Borrowings	23	**2,225,000**	1,390,000
		3,023,644	2,193,153
Total liabilities		**3,387,759**	2,542,526
Total equity and liabilities		**8,739,408**	7,555,858
Net current liabilities		**(2,470,181)**	(1,767,601)
Total assets less current liabilities		**5,715,764**	5,362,705

Approved by the Board of Directors on 6 March 2009

Wang Shui
Director

Li Yungui
Director

The notes on pages 99 to 170 are an integral part of these consolidated financial statements.

Balance sheet

As at 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2008	2007 (Restated)
ASSETS			
Non-current assets			
Concession intangible assets	7	**6,575,569**	5,503,577
Land use rights	8	**12,482**	13,128
Property, plant and equipment	9	**786,590**	837,071
Investment property	10	**29,781**	22,841
Investments in subsidiaries	12	**138,495**	68,495
Loans to a subsidiary	13	**183,171**	172,530
Investments in associates	14	**18,999**	1,443
Deferred income tax assets	26	**5,283**	12,780
Available-for-sale financial assets	15	**18,000**	18,000
		7,768,370	6,649,865
Current assets			
Inventories	17	**1,857**	2,983
Trade and other receivables	16	**19,642**	14,959
Cash and cash equivalents	18	**385,057**	376,468
		406,556	394,410
Total assets		**8,174,926**	7,044,275
EQUITY			
Capital and reserves attributable to the Company's equity holders			
Ordinary share capital	19	**1,658,610**	1,658,610
Share premium	19	**1,415,593**	1,415,593
Other reserves	20	**708,049**	637,370
Retained earnings			
– Proposed final dividend	36	**381,480**	331,722
– Others		**1,353,955**	1,125,498
Total equity		**5,517,687**	5,168,793

The notes on pages 99 to 170 are an integral part of these financial statements.

As at 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	As at 31 December 2008	2007 (Restated)
LIABILITIES			
Non-current liabilities			
Deferred income	21	**46,000**	48,000
Current liabilities			
Trade and other payables	22	**581,037**	463,892
Current income tax liabilities		**104,502**	193,694
Provision	24	**15,700**	19,896
Borrowings	23	**1,910,000**	1,150,000
		2,611,239	1,827,482
Total liabilities		**2,657,239**	1,875,482
Total equity and liabilities		**8,174,926**	7,044,275
Net current liabilities		**(2,204,683)**	(1,433,072)
Total assets less current liabilities		**5,563,687**	5,216,793

Approved by the Board of Directors on 6 March 2009

Wang Shui
Director

Li Yungui
Director

The notes on pages 99 to 170 are an integral part of these financial statements.

Consolidated income statement

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December 2008	2007 (Restated)
Revenues	28	**2,963,462**	2,480,808
Cost of sales	30	**(1,844,232)**	(1,268,240)
Gross profit		**1,119,230**	1,212,568
Other gains / (losses) – net	29	**42,415**	(443)
Administrative expenses	30	**(129,371)**	(95,572)
Operating profit		**1,032,274**	1,116,553
Finance costs	32	**(65,584)**	(1,834)
Share of profit of associates		**2,952**	1,104
Profit before income tax		**969,642**	1,115,823
Income tax expense	33	**(250,986)**	(484,419)
Profit for the year		**718,656**	631,404
Attributable to:			
Equity holders of the Company		**670,700**	543,243
Minority interest		**47,956**	88,161
		718,656	631,404
Basic and diluted earnings per share (expressed in RMB per share)	35	**0.4044**	0.3275
Dividends	36	**381,480**	331,722

The notes on pages 99 to 170 are an integral part of these consolidated financial statements.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December 2008	2007 (Restated)
Cash flows from operating activities			
Cash generated from operations	38	**222,434**	786,638
Interest paid		**(119,376)**	(70,372)
Income tax paid		**(338,354)**	(318,039)
Net cash (used in)/ generated from operating activities		**(235,296)**	398,227
Cash flows from investing activities			
Purchase of property, plant and equipment		**(84,619)**	(104,620)
Cash paid to acquire the equity interests in associated company	14	**(17,556)**	—
Proceeds from sales of investments in an associate		**—**	4,633
Proceeds from sales of property, plant and equipment		**284**	278
Interest received		**5,090**	3,564
Dividend received		**900**	900
Net cash used in investing activities		**(95,901)**	(95,245)
Cash flows from financing activities			
Proceeds from borrowings		**3,085,000**	2,746,000
Repayments of borrowings		**(2,250,000)**	(2,617,000)
Cash generating from minority shareholder's contribution to subsidiaries	12(b)	**30,000**	—
Dividends paid to minority interests		**(78,617)**	(11,321)
Dividends paid to the Company's shareholders		**(331,722)**	(414,653)
Net cash generated from/ (used in) financing activities		**454,661**	(296,974)
Net increase in cash and cash equivalents		**123,464**	6,008
Cash and cash equivalents at beginning of the year		**407,178**	400,453
Exchange gains on cash and cash equivalents		**593**	717
Cash and cash equivalents at end of the year		**531,235**	407,178

The notes on pages 99 to 170 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company					
		Ordinary share capital (Note 19)	**Share premium** (Note 19)	**Other reserves** (Note 20)	**Retained earnings**	**Minority Interest**	**Total**
Balance at 1 January 2007 (As previously reported)		1,658,610	1,447,459	(41,689)	2,331,971	65,110	5,461,461
Effect of changes in accounting policies	4	—	—	—	(698,546)	78,932	(619,614)
Balance at 1 January 2007 2007 (Restated)		1,658,610	1,447,459	(41,689)	1,633,425	144,042	4,841,847
Profit for the year		—	—	—	543,243	88,161	631,404
Profit appropriation	37	—	—	47,153	(47,153)	—	—
2006 final dividends		—	—	—	(414,653)	—	(414,653)
2006 dividends to minority shareholder by subsidiary		—	—	—	—	(11,321)	(11,321)
Restatement of deferred tax liability as a result of change in income tax rate	19	—	(31,866)	—	—	—	(31,866)
Others		—	—	(2,079)	—	—	(2,079)
Balance at 31 December 2007 (Restated)		1,658,610	1,415,593	3,385	1,714,862	220,882	5,013,332
Profit for the year		—	—	—	670,700	47,956	718,656
Profit appropriation	37	—	—	71,042	(71,042)	—	—
2007 final dividends	36	—	—	—	(331,722)	—	(331,722)
2007 dividends to minority shareholder by subsidiary		—	—	—	—	(78,617)	(78,617)
Minority shareholder's contribution to subsidiaries	12(b)	—	—	—	—	30,000	30,000
Others		—	—	(363)	363	—	—
Balance at 31 December 2008		1,658,610	1,415,593	74,064	1,983,161	220,221	5,351,649

The notes on pages 99 to 170 are an integral part of these consolidated financial statements.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

1 General information

Anhui Expressway Company Limited (the "Company") was incorporated in the People's Republic of China ("PRC") on 15th August 1996 as a joint stock limited company. The Company and its subsidiaries (the "Group") are principally engaged in the construction, operation, management and development of the toll roads and associated service sections in the Anhui Province.

The Company's H shares and A shares have been listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange since November 1996 and January 2003 respectively. The address of its registered office is No. 669, West Changjiang Road, Hefei, Anhui, PRC.

As of 31 December 2008 and 2007, the Group's toll roads are shown as follows:

Toll road	**Length** kilometres	**Concession periods granted**
Hening Expressway	134	From 16 August 1996 to 15 August 2026
National Trunk 205 Tianchang Section	30	From 1 January 1997 to 31 December 2026
Xuanguang Expressway	67	From 1 January 1999 to 31 December 2028
Gaojie Expressway	110	From 1 October 1999 to 30 September 2029
Lianhuo Expressway Anhui Section	54	From 1 January 2003 to 30 June 2032
Xuanguang Expressway Nanhuan Section	17	From 1 September 2003 to 31 December 2028
Ninghuai Expressway Tianchang Section	14	Provisionally set as three years from 18 December 2006, the official operation period has not been granted by government yet

These financial statements are presented in thousands of Renminbi ("RMB'000"), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 6 March 2009.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies

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

2.1 Basis of preparation

The financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS"). The financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value.

The preparation of financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements, are disclosed in Note 5.

(a) Standards, amendments and interpretations effective in 2008

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

- Hong Kong International Financial Reporting Interpretation Committee ('HK(IFRIC)') - Int 12, 'Service Concession Arrangements'. Adoption of the interpretation resulted in changes in accounting policies on accounting for the service concession arrangements of the Group. The details and impact on the financial statements are described in Note 4 below;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(b) Interpretations effective in 2008 but not relevant to the Group's operations

- HK(IFRIC) - Int 11, 'HKFRS 2 – Group and treasury share transactions, 'provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity-settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. As none of the Group's entities have share-based transactions, HK(IFRIC) - Int 11 is not relevant to the Group's operations; and

- HK(IFRIC) - Int 14, 'HKAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction', provides guidance on assessing the limit in HKAS 19 on the amount of the surplus that can be recognised as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum funding requirement. As the Group does not have significant defined benefit and is not subject to any minimum funding requirements, HK(IFRIC) - Int 14 is not relevant to the Group's operations.

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group

- HKFRS 8, 'Operating segments' (effective from 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group will apply HKFRS 8 prospectively from 1 January 2009;

- HKAS 1 (Revised), 'Presentation of financial statements' (effective from 1 January 2009). The revised standard will prohibit the presentation of items of income and expenses (that is, 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from owner changes in equity. All non-owner changes in equity will be required to be shown in a performance statement, but entities can choose whether to present one performance statement (the statement of comprehensive income) or two statements (the consolidated income statement and statement of comprehensive income). Where entities restate or reclassify comparative information, they will be required to present a restated balance sheet as at the beginning comparative period in addition to the current requirement to present balance sheets at the end of the current period and comparative period. The Group will apply HKAS 1 (Revised) from 1 January 2009. It is likely that the Group will choose to present two statements (the consolidated income statement and statement of comprehensive income);

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKAS 23 (Revised), 'Borrowing costs' (effective from 1 January 2009). The amendment requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Group will apply HKAS 23 (Revised) prospectively from 1 January 2009. This amendment does not have significant impact on the Group's financial statements, as the Group has capitalised borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset;

- HKAS 27 (Revised), 'Consolidated and separate financial statements' (effective from 1 July 2009).The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (Revised) prospectively to transactions with non-controlling interests from 1 January 2010;

- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements' 'Puttable financial instruments and obligations arising on liquidation' (effective from 1 January 2009). The amended standards require entities to classify puttable financial instruments and instruments, or components of instruments that impose on the entity an obligation to deliver to another party a pro rata share of the net assets of the entity only on liquidation as equity, provided the financial instruments have particular features and meet specific conditions. The Group will apply the HKAS 32 (Amendment) and HKAS 1(Amendment) from 1 January 2009, but it is not expected to have significant impact on the Group's financial statements;

- HKFRS 1 (Amendment), 'First time adoption of HKFRS' and HKAS 27 'Consolidated and separate financial statements' (effective from 1 July 2009). The amended standard allows first-time adopters to use a deemed cost of either fair value or the carrying amount under previous accounting practice to measure the initial cost of investments in subsidiaries, jointly controlled entities and associates in the separate financial statements. The amendment also removes the definition of the cost method from HKAS 27 and replaces it with a requirement to present dividends as income in the separate financial statements of the investor. The Company will apply HKAS 27 (Amendment) prospectively from 1 January 2010 in its separate financial statements. This amendment is not relevant to the Group;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKFRS 3 (Revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the consolidated income statement. There is a choice on an acquisition by acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (Revised) prospectively to all business combinations from 1 January 2010;

- HKICPA's improvements to HKFRS published in October 2008

  - HKAS 1 (Amendment), 'Presentation of financial statements' (effective from 1 January 2009). The amendment clarifies that some rather than all financial assets and liabilities classified as held for trading in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' are examples of current assets and liabilities respectively. The Group will apply the HKAS 1 (Amendment) from 1 January 2009. It is not expected to have significant impact on the Group's financial statements;

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

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

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

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKICPA's improvements to HKFRS published in October 2008 (continued)

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

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

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

  - HKAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The definition of borrowing costs has been amended so that interest expense is calculated using the effective interest method defined in HKAS 39 'Financial instruments: Recognition and measurement'. This eliminates the inconsistency of terms between HKAS 39 and HKAS 23. The Group will apply the HKAS 23 (Amendment) prospectively to the capitalisation of borrowing costs on qualifying assets from 1 January 2009;

  - HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). An investment in associate is treated as a single asset for the purposes of impairment testing and any impairment loss is not allocated to specific assets included within the investment, for example, goodwill. Reversals of impairment are recorded as an adjustment to the investment balance to the extent that the recoverable amount of the associate increases. The Group will apply the HKAS 28 (Amendment) to impairment tests related to investment in associates and any related impairment losses from 1 January 2009;

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

  - HKAS 38 (Amendment), 'Intangible assets' (effective from 1 January 2009). A prepayment may only be recognised in the event that payment has been made in advance of obtaining right of access to goods or receipt of services. The Group will apply the HKAS 38 (Amendment) from 1 January 2009. It is not expected to have significant impact on the Group's financial statements;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKICPA's improvements to HKFRS published in October 2008 (continued)

  - HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement' (effective from 1 January 2009)

    This amendment clarifies that it is possible for there to be movements into and out of the fair value through profit or loss category where a derivative commences or ceases to qualify as a hedging instrument in cash flow or net investment hedge.

    The definition of financial asset or financial liability at fair value through profit or loss as it relates to items that are held for trading is also amended. This clarifies that a financial asset or liability that is part of a portfolio of financial instruments managed together with evidence of an actual recent pattern of short-term profit-taking is included in such a portfolio on initial recognition.

    The current guidance on designating and documenting hedges states that a hedging instrument needs to involve a party external to the reporting entity and cites a segment as an example of a reporting entity. This means that in order for hedge accounting to be applied at segment level, the requirements for hedge accounting are currently required to be met by the applicable segment. The amendment removes this requirement so that HKAS 39 is consistent with HKFRS 8, 'Operating segments' which requires disclosure for segments to be based on information reported to the chief operating decision maker.

    When remeasuring the carrying amount of a debt instrument on cessation of fair value hedge accounting, the amendment clarifies that a revised effective interest rate (calculated at the date fair value hedge accounting ceases) are used.

    The Group will apply the HKAS 39 (Amendment) from 1 January 2009. It is not expected to have significant impact on the Group's consolidated income statement, as the Group does not have hedging activities;

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

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(c) Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted by the Group (continued)

- HKICPA's improvements to HKFRS published in October 2008 (continued)

  - There are a number of minor amendments to HKFRS 7, 'Financial instruments: Disclosures', HKAS 8, 'Accounting policies, changes in accounting estimates and errors', HKAS 10, 'Events after the balance sheet date', HKAS 18, 'Revenue' and HKAS 34, 'Interim financial reporting' which are not addressed above. These amendments are unlikely to have significant impact on the Group's financial statements and have therefore not been analysed in detail.

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations

- HKFRS 2 (Amendment), 'Share-based payment' (effective from 1 January 2009). The amended standard deals with vesting conditions and cancellations. It clarifies that vesting conditions are service conditions and performance conditions only. Other features of a share-based payment are not vesting conditions. As such these features would need to be included in the grant date fair value for transactions with employees and others providing similar services, that is, these features would not impact the number of awards expected to vest or valuation thereof subsequent to grant date. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. All cancellations, whether by the entity or by other parties, should receive the same accounting treatment. HKFRS 2 (Amendment) is not relevant to the Group's operation because none of the Group's entities have share-based payment;

- HK(IFRIC) - Int 13 , 'Customer loyalty programmes' (effective from 1 July 2008). HK(IRFIC) - Int 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. HK(IFRIC) - Int 13 is not relevant to the Group's operations because none of the Group's entities operate any loyalty programmes;

- HK(IFRIC) - Int 15, 'Agreements for construction of real estates' (effective from 1 January 2009). HK(IFRIC) - Int 15 clarifies whether HKAS 18, 'Revenue' or HKAS 11, 'Construction contracts' should be applied to particular transactions. It is likely to result in HKAS 18 being applied to a wider range of transactions. HK(IFRIC) - Int 15 is not relevant to the Group's operations because none of the Group's entities operate any construction of real estates;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations (continued)

- HK(IFRIC) – Int 16 , 'Hedges of a net investment in a foreign operation' (effective from 1 October 2008). HK(IFRIC) - Int 16 clarifies the accounting treatment in respect of net investment hedging. This includes the fact that net investment hedging relates to differences in functional currency not presentation currency, and hedging instruments may be held anywhere in the Group. The requirements of HKAS 21, 'The effects of changes in foreign exchange rates', do apply to the hedged item. HK(IFRIC) – Int 16 is not relevant to the Group's operations as no investment is held in currency other than the Company's functional currency.

- HKAS 39 (amendment) 'Financial Instruments: Recognition and Measurement' – 'Eligible hedged items', HK(IFRIC) - Int 17 - 'Distributions of non-cash assets to owners' and HK(IFRIC) - Int 18 - 'Transfer of assets from customers' are effective from 1 July 2009. They are not relevant to the Group's operations.

- HKICPA's improvements to HKFRS published in October 2008

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

  - HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance' (effective from 1 January 2009). The benefit of a below-market rate government loan is measured as the difference between the carrying amount in accordance with HKAS 39, 'Financial instruments: Recognition and measurement' and the proceeds received with the benefit accounted for in accordance with HKAS 20. The amendment will not have significant impact on the Group's operations as there are no loans received from the government;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations (continued)

- HKICPA's improvements to HKFRS published in October 2008 (continued)

  - HKAS 27 (Amendment), 'Consolidated and separate financial statements' (effective from 1 January 2009). Where an investment in a subsidiary that is accounted for under HKAS 39, Financial instruments: recognition and measurement, is classified as held for sale under HKFRS 5, 'Non-current assets held for sale and discontinued operations', HKAS 39 would continue to be applied. The amendment will not have significant impact on the Group's operations because it is the Group's policy for an investment in subsidiary to be recorded at cost in the standalone accounts of each entity;

  - HKAS 28 (Amendment), 'Investments in associates' (and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures') (effective from 1 January 2009). Where an investment in associate is accounted for in accordance with HKAS 39 Financial instruments: recognition and measurement' only certain rather than all disclosure requirements in HKAS 28 need to be made in addition to disclosures required by HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7 'Financial Instruments: Disclosures'. The amendment will not have significant impact on the Group's operations because it is the Group's policy for an investment in an associate to be equity accounted in the consolidated financial statements;

  - HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies' (effective from 1 January 2009). The guidance has been amended to reflect the fact that a number of assets and liabilities are measured at fair value rather than historical cost. The amendment will not have significant impact on the Group's operations, as none of the Group's subsidiaries or associates operate in hyperinflationary economies;

  - HKAS 31 (Amendment), 'Interests in joint ventures (and consequential amendments to HKAS 32 and HKFRS 7) (effective from 1 January 2009). Where an investment in joint venture is accounted for in accordance with HKAS 39, only certain rather than all disclosure requirements in HKAS 31 need to be made in addition to disclosures required by HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7 'Financial Instruments: Disclosures'. The amendment will not have significant impact on the Group's operations as there are no interests held in joint ventures;

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(d) Standards, amendments and interpretations to existing standards that are not yet effective and not relevant to the Group's operations (continued)

- HKICPA's improvements to HKFRS published in October 2008 (continued)

  - HKAS 38 (Amendment), 'Intangible assets'(effective from 1 January 2009). The amendment deletes the wording that states that there is 'rarely, if ever' support for use of a method that results in a lower rate of amortisation than the straight line method. The amendment will not have significant impact on the Group's operations as all intangible assets are amortised using the straight line method;

  - HKAS 40 (Amendment), 'Investment property' (and consequential amendments to HKAS 16) (effective from 1 January 2009). Property that is under construction or development for future use as investment property is within the scope of HKAS 40. Where the fair value model is applied, such property is, therefore, measured at fair value. However, where fair value of investment property under construction is not reliably measurable, the property is measured at cost until the earlier of the date construction is completed and the date at which fair value becomes reliably measurable. The amendment will not have significant impact on the Group's operations, as the investment properties are measured at their cost;

  - HKAS 41 (Amendment), 'Agriculture' (effective from 1 January 2009). It requires the use of a market-based discount rate where fair value calculations are based on discounted cash flows and the removal of the prohibition on taking into account biological transformation when calculating fair value. The amendment will not have significant impact on the Group's operations as no agricultural activities are undertaken; and

  - The minor amendments to HKAS 20 'Accounting for government grants and disclosure of government assistance', HKAS 29, 'Financial reporting in hyperinflationary economies', HKAS 40, 'Investment property' and HKAS 41, 'Agriculture', which are not addressed above. These amendments will not have significant impact on the Group's operations as described above.

2 Summary of significant accounting policies (continued)

2.2 Consolidation

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

(a) Subsidiaries

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

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

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

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

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

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(b) Transactions with minority interests

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

(c) Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates in the Group's financial statements are accounted for using the equity method of accounting and are initially recognised at cost.

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

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

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

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

2 Summary of significant accounting policies (continued)

2.3 Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that is subject to risks and returns that are different from those of segments operating in other economic environments.

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in equity.

Translation differences on non-monetary financial assets and liabilities are reported as part of the fair value gain or loss. Translation difference on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets such as equities classified as available for sale are included in the available-for-sale reserve in equity.

2 Summary of significant accounting policies (continued)

2.5 Service concession arrangements

The Group has entered into contractual service arrangements with local government authorities ('the Grantor') for its participation in the development, financing, operation and maintenance of various toll road infrastructures. Under these arrangements, the Group carries out the construction or upgrade work of toll roads for the granting authorities from the Grantor and receives in exchange of a right to operate the toll roads concerned and entitlement to the toll collection from users of the toll road services (the 'Service Concessions'). The Group records the assets under the Service Concessions, including toll roads and associated land use rights, as "concession intangible assets" on the balance sheet, to the extent that it receives a right to charge users of the public service. The Group doesn't have obligation to return the assets other than toll roads and associated land use rights to the Grantor at the concession period end.

The Group accounts for revenue and costs relating to construction or upgrade work under the Service Concessions in accordance with HKAS11 and accounts for revenue and costs relating to operation services under the Service Concessions in accordance with HKAS18. Please refer to Note 2.23 for details.

Concession intangible assets are stated at the fair value of the construction service provided less accumulated amortisation and impairment losses.

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the concession periods granted.

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10).

The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods granted. At the end of concession period, the Group has to return toll roads and associated land use rights to the Grantor at specific conditions required by the law for toll roads. The Group does not have rights to receive specified assets at the end of concession period.

The re-pricing right of above toll roads is owned by the Grantor.

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. Please refer to Note 2.21 for details. The Group does not have obligations to acquire or build items of property, plant and equipment for toll road services.

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

Depreciation of property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, after taking into account an estimated residual value, as follows:

Buildings	30 years
Safety, communication and signalling equipment	10 years
Toll station and ancillary equipment	7 years
Motor vehicles	9 years
Other machinery and equipment	6-9 years

The assets' useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.10).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Construction in progress represents property, plant and equipment under construction and is stated at cost less accumulated impairment losses. Construction in progress is not depreciated until such time when the assets are completed and ready for their intended use.

2 Summary of significant accounting policies (continued)

2.7 Investment property

Investment properties, principally comprising buildings, are held for long-term rental yields and are not occupied by the Group.

Investment properties are stated at cost less accumulated depreciation and accumulated impairment loss. The initial costs of investment properties comprise the purchase price or any directly attributable costs of bringing the assets to working condition and location for its intended use.

Depreciation is calculated using the straight-line method to write off the cost of each investment property over its expected useful life, after taking into account an estimated residual value, as follows:

Investment property	30 years

Where the carrying amount of an investment property is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.10).

Repairs and maintenance expenses are charged to the income statement during the financial period in which they are incurred. The cost of major renovations is included in the carrying amount of investment properties when it is probable that future economic benefits in excess of the originally assessed standard of performance of the existing asset will flow to the Group. Major renovations are depreciated over the remaining useful life of the related asset.

2.8 Intangible assets – acquired computer software

Acquired computer software licenses are capitalized on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (five years).

2.9 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership exists. The Group acquires the right to use certain land. The lands associated with Service Concessions are recorded as concession intangible assets as described in Note 2.5. For other lands, the premiums paid for such right are treated as prepayments for operating lease and recorded as land use rights and separately presented as non-current assets, which are amortised over the lease period using the straight-line method.

2 Summary of significant accounting policies (continued)

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

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

2.11 Financial assets

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

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets.

(b) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Loans and receivables are classified as trade and other receivables in the balance sheet (Note 2.13).

(c) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities that the Group's management has the positive intention and ability to hold to maturity. If the Group were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale. Held to maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the balance sheet date, which are classified as current assets. During the years presented, the Group did not hold any investments in this category.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(d) Available-for-sale financial assets

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

Regular way purchases and sales of financial assets are recognised on the trade-date - the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

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

Changes in the fair value of monetary securities denominated in a foreign currency and classified as available-for-sale are analysed between translation differences resulting from changes in amortised cost of the security and other changes in the carrying amount of the security. The translation differences on monetary securities are recognised in profit or loss; translation differences on non-monetary securities are recognised in equity. Changes in the fair value of monetary and non-monetary securities classified as available for sale are recognised in equity.

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

Interest on available-for-sale securities calculated using the effective interest method is recognised in the income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the income statement as part of other income when the Group's right to receive payments is established.

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(d) Available-for-sale financial assets (continued)

The fair values of quoted investments are based on current bid prices. If the market for a financial asset is not active (and for unlisted securities), the Group established fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis and option pricing models, making maximum use of market inputs and relying as little as possible on entity-specific inputs.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. Impairment testing of trade receivables is described in Note 2.13.

2.12 Inventories

Inventories mainly comprise materials and spare parts for the repair and maintenance of toll roads. The inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

2.13 Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the assets is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within administrative expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative expenses in the income statement.

2 Summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet.

2.15 Share capital

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

2.16 Trade payables

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

2.17 Borrowings

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

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

2.18 Current and deferred income tax

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

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

2 Summary of significant accounting policies (continued)

2.18 Current and deferred income tax (continued)

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

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

2.19 Government grants

Government grants are assistance by government in the form of transferring of resources to the Group in return for past or future compliance with certain conditions relating to the operating activities of the Group.

Government grants are not recognized until there is reasonable assurance that the receiver will comply with the conditions attached to them, if any, and that the grants will be received.

Governments grants related to assets are presented in the balance sheet by setting up the grant as deferred income. The deferred income is amortised over the estimate useful lives of related assets.

2.20 Employee benefits

The Group contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions plans are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

Additional compensations for employee retirement are recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms. Details of the Group's retirement benefits are set out in Note 27.

2 Summary of significant accounting policies (continued)

2.21 Provisions

Provisions for maintenance and resurfacing of the toll roads are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

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

2.22 Contingent liability

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or the amount of the obligation cannot be measured with sufficient reliability.

A contingent liability is not recognised in financial statement, but to be disclosed by the Group, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.23 Revenue recognition

(a) Toll income from toll roads operation

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

(b) Revenue from construction and upgrade work under the Service Concessions

Revenue from construction and upgrade work under the Service Concessions is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition (continued)

(c) Interest income

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

(d) Dividend income

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

(e) Service income

Service income is recognised when the service has been rendered.

(f) Rental income

Operating lease rental income is recognised on a straight-line basis.

2.24 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.25 Dividend distribution

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

2.26 Enterprise Safety Fund

According to the regulations of the PRC, the Group is required to accrue 1% of its toll income as Enterprise Safety Fund from 1st January 2004 onwards unless the accrued balance exceeds 2% of toll income of prior year. The fund can only be used for improvements of the safety of its toll roads. Accruals to the fund are treated as an appropriation to reserves, which will be reversed to retained earnings upon utilization.

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: cash flow and fair value interest rate risk, credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and investment of excess liquidity.

The Group's activities do not expose it to significant foreign exchange risk because it principally operates in the PRC and RMB is the currency of the primary economic environment in which the Group operates.

The Group's activities do not expose it to significant price risk because it does not have material investments classed as available-for-sale or at fair value through profit or loss and it is not exposed to commodity price risk.

(a) Credit risk

The Group's credit risk mainly arises from deposits with banks. The carrying amounts of cash and cash equivalents, dividends receivable and other receivables represent the Group's maximum exposure in relation to financial assets.

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

Counterparties	**31 December 2008**	31 December 2007
State-owned banks	**329,088**	272,442
Other banks	**202,147**	134,736
	531,235	407,178

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

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Credit risk (continued)

The Company also has loans to a subsidiary which are exposed to credit risk.

	31 December 2008	31 December 2007
Loans to a subsidiary	**183,171**	172,530

The loans to a subsidiary represent the Company's share of the total investment in the subsidiary in excess of the Company's share of its registered capital. The Company's management do not expect any losses from non-performance by the subsidiary because the financial performance of the subsidiary is healthy. Please refer to Note 12 for details.

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, together with adequate bank facilities disclosed in Note 23.

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

	Less than 1 year	Between 1 and 3 years	Over 3 and 5 years	Over 5 years
Group				
At 31 December 2008				
Bank borrowings (Note 23)	2,225,000	—	—	—
Trade and other payables (Note 22)	664,229	—	—	—
Long-tem payables (Note 25)	—	—	32,952	414,964
At 31 December 2007				
Bank borrowings (Note 23)	1,390,000	—	—	—
Trade and other payables (Note 22)	574,867	—	—	—
Long-tem payables (Note 25)	—	—	—	447,916
Company				
At 31 December 2008				
Bank borrowings (Note 23)	1,910,000	—	—	—
Trade and other payables (Note 22)	581,037	—	—	—
At 31 December 2007				
Bank borrowings (Note 23)	1,150,000	—	—	—
Trade and other payables (Note 22)	463,892	—	—	—

To mitigate the liquidate risk, the Company decides to issue corporate bonds. Please refer to Note 42 for details.

3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest-rate risk mainly arises from borrowings and long-term payables. Borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group's policy is to repay its floating-rate borrowings if the interest rate decreases more than 0.5% and borrow the new ones to limit the loss to extent of handling charge from banks. During 2008 and 2007, the Group's borrowings at variable rate were denominated in RMB.

The Group's long-term payables were issued at interest free and expose the Group to fair value interest-rate risk. The fair value of the long-term payables is disclosed in Note 25.

The Group's borrowings to the extent of RMB2,225 million (2007: RMB1,390 million) were issued at variable rates. As at 31 December 2008, if the interest rates had increased or decreased by 0.5%, the profit and equity would have been approximately RMB10 million (2007: RMB8 million) lower or higher.

3.2 Capital risk management

The primary objective of the Group's capital management is to safeguard each entity within the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or control the capital expenditures to reduce debts.

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

(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The Group's strategy is to maintain a gearing ratio below 30% and an AAA credit rating. The gearing ratio of the Group at 31 December 2008 and 2007 were as follows:

	31 December 2008	31 December 2007
Total borrowings	**2,225,000**	1,390,000
Less: cash and cash equivalents	**(531,235)**	(407,178)
Net debts	**1,693,765**	982,822
Total equity	**5,351,649**	5,013,332
Total capital	**7,045,414**	5,996,154
Gearing ratio	**24.04%**	16.39%

3.3 Fair value estimation

All financial assets and liabilities of the Group are not traded in an active market. The fair value of financial assets and liabilities is determined by using valuation techniques if applicable. The Group makes assumptions that are based on market conditions existing at each balance sheet date. Estimated discounted cash flows are used to determine fair value for the financial assets and liabilities.

The nominal value less impairment provision of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

4 Changes in accounting policies

In prior years, the costs incurred for constructing or upgrading the related infrastructures for toll roads under the Service Concessions of the Group were accounted for as property, plant and equipment of the Group and these expenditures were depreciated on an units-of-usage basis, making reference to the proportion of actual traffic volume achieved for a particular period over the total projected traffic volume throughout the periods within which the Group is granted the rights to operate these toll roads (the "Traffic Flow Amortisation Method"). The premiums paid for lands associated the Service Concessions were accounted for as land use rights and they were amortised over the lease period using the straight-line method. HK(IFRIC)-Int 12 requires the Group to account for these Service Concessions under this interpretation from 1 January 2008 onwards as disclosed in Note 2.5. Besides, the amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the concession periods granted.

These changes in accounting policies have been applied retrospectively and resulted in the following financial impact to the Group's financial statements:

	31 December 2008	31 December 2007
Increase in concession intangible assets	**7,369,554**	6,293,799
Decrease in property, plant and equipment	**(7,694,938)**	(6,544,335)
Decrease in land use rights	**(566,071)**	(561,253)
Decrease in deferred income tax liabilities	**226,856**	208,004
Increase in provision for maintenance obligations	**(15,966)**	(20,225)
Increase in other reserve	**(1,315)**	—
Decrease in retained earnings	**677,024**	626,258
Decrease / (Increase) in minority interests	**4,856**	(2,248)

	Year ended 31 December 2008	Year ended 31 December 2007
Increase in revenues	**(1,273,905)**	(791,929)
Increase in cost of sales	**1,349,311**	864,159
Decrease of income tax expense	**(18,851)**	(67,834)
Decrease in minority interests	**(7,104)**	(76,684)
(Decrease) / Increase in basic and diluted earnings per share (in RMB per share)	**(0.0298)**	0.0436

The opening retained earnings at 1 January 2007 have been decreased by RMB698,546 thousand as a result of this change in accounting policy.

5 Critical accounting estimates and judgements

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

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

(a) Construction revenue recognition under Service Concessions

As described in Note 2.5, income and expenses associated with construction and upgrade work under the Service Concessions are recognised in accordance with HKAS 11 using the percentage of completion method.

Due to the fact that all construction activities are sub-contracted to third parties and the Group only performs project management, and there was no real cash flow realised or realisable during the construction phase of the infrastructure during the Service Concessions, in order to determine the construction revenue to be recognised during the reporting period, the directors of the Company made estimates of the respective amounts by making reference to project management service fees in return as if the Group were providing rendered project management services for construction of toll roads for respective PRC local governments without the corresponding grants of the toll road operating rights and entitlement to future toll revenues. Accordingly, construction revenue under the respective Service Concessions is recognized at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the project management costs.

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. In ascertaining the amount of management fees, the directors have made reference to the practice for determining management fees for managing construction contracts transacted by similar toll roads companies in Anhui Province, whereby the fee is determined based on certain percentage of actual management cost incurred of each project, according to the scale and size of the respective projects. The directors of the Company believe the profit arising from the project management is very low due to sharp competition in local project management market. They also believe the situation of low margin will continue in future years.

The directors of the Company consider that these are their current best estimates on the magnitude of construction revenue and related profits. Were the magnitudes of the final construction costs and the management fee applied as a percentage of the project management cost were to be differed from management's current estimates, the Group would account for the change prospectively.

5 Critical accounting estimates and judgements (continued)

(b) Provision for maintenance/resurfacing obligations

As described in Note 2.5, the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision. Provision for maintenance obligations at 31 December 2008 of RMB15,966 thousand had been provided at the present value of expenditures expected to be incurred by the Group to settle the obligations at the balance sheet date.

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group under the Service Concessions and the expected costs to be incurred for each event. The costs are then discounted to the prevent value based on a pre-tax discount rate of 5.76%, the incremental borrowing rate of the Group.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the directors of the Company, which were developed based on the Group's resurfacing plan and historical costs incurred for similar activities. In addition, the directors are of the view that the discount rate currently used in the current estimate reflects the time value of money and the risks specific to the obligations.

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

(c) Estimation of concession period granted

The toll road operation rights of Ninghuai expressway had been provisionally set as 3 years after the toll road was put into use, the official concession period has not been granted by government yet. Management estimates the concession period granted by government for Ninghuai expressway Nanhuan Section will be 25 years based on concession periods granted to other toll roads. If the final concession period granted had increased or decreased by 5 years, the depreciation costs would have been approximately RMB2.7 million lower or RMB3.1 million higher.

5 Critical accounting estimates and judgements (continued)

(d) Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives.

Management will revise the depreciation charge where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

(e) Estimation of deferred taxation assets

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilized. Management revisits the assumptions and profit projections by the balance sheet date. If the final assumptions and profit were to be differed from management's current estimates, the Group would account for the change prospectively.

(All amounts in Renminbi thousands unless otherwise stated)

6 Segment information

Due to the adoption of HK(IFRIC)-Int 12 from 1 January 2008, the Group reassessed its operations to be organised in two main business segments:

– Toll roads operation; and

– Construction or upgrade work under the Service Concessions ('Construction or upgrade')

Revenue consists of income from operations of toll roads and construction or upgrade and under Service Concessions, which are RMB1,689,557 thousand and RMB1,273,905 thousand for the year ended 31 December 2008 and RMB1,688,879 thousand and RMB791,929 thousand for the year ended 31 December 2007, respectively.

Other operations mainly comprise development of pharmaceutical goods. None of these operations constitutes a separately reportable segment.

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

Business segment	**Toll roads operation**	**Construction or upgrade**	**Others**	**Unallocated**	**Group**
Segment revenue	**1,689,557**	**1,273,905**	**—**	**—**	**2,963,462**
Segment profit	**1,119,230**	**—**	**—**	**—**	**1,119,230**
Other gains	**39,515**	**2,000**	**—**	**900**	**42,415**
Administrative expenses	**—**	**—**	**(420)**	**(128,951)**	**(129,371)**
Operating profit	**1,158,745**	**2,000**	**(420)**	**(128,051)**	**1,032,274**
Finance costs-net	**(65,604)**	**—**	**20**	**—**	**(65,584)**
Share of profit of associates	**—**	**—**	**—**	**2,952**	**2,952**
Profit before income tax					**969,642**
Income tax expenses					**(250,986)**
Profit for the year					**718,656**

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

6 Segment information (continued)

The segment results for the year ended 31 December 2007 are as follows:

Business segment	Toll roads operation	Construction or upgrade	Others	Unallocated	Group
Segment revenue	1,688,879	791,929	—	—	2,480,808
Segment profit	1,212,568	—		—	1,212,568
Other gains/(losses)-net	(7,827)	2,000		5,384	(443)
Administrative expenses	—	—	(440)	(95,132)	(95,572)
Operating profit	1,204,741	2,000	(440)	(89,748)	1,116,553
Finance costs-net	(1,857)	—	23	—	(1,834)
Share of profit of associates	—	—	—	1,104	1,104
Profit before income tax					1,115,823
Income tax expenses					(484,419)
Profit for the year					631,404

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

	For year ended 31 December 2008			
Business segment	**Toll roads operation**	**Construction or upgrade**	**Others**	**Group**
Depreciation	**95,604**	**—**	**5**	**95,609**
Amortisation	**269,065**	**—**	**350**	**269,415**

	For year ended 31 December 2007			
Business segment	Toll roads operation	Construction or upgrade	Others	Group
Depreciation	86,078	—	5	86,083
Amortisation	262,196	—	350	262,546

Segment assets consist primarily of property, plant and equipment, concession intangible assets, land use rights, investment property, intangible assets, inventories, trade and other receivables and cash and cash equivalents.

Segment liabilities comprise all the current and non-current liabilities other than income tax liabilities.

Capital expenditure comprises additions to property, plant and equipments and concession intangible assets.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

6 Segment information (continued)

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

Business segment	**Toll roads operation**	**Construction or upgrade**	**Others**	**Unallocated**	**Group**
Assets	**6,620,995**	**2,072,204**	**4,281**	**41,928**	**8,739,408**
Liabilities	**350,759**	**2,918,523**	**28**	**118,449**	**3,387,759**
Capital expenditure	**84,619**	**1,343,886**	**—**	**—**	**1,428,505**

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

Business segment	Toll roads operation	Construction or upgrade	Others	Unallocated	Group
Assets	6,790,703	735,066	4,680	25,409	7,555,858
Liabilities	336,543	1,997,895	27	208,061	2,542,526
Capital expenditure	104,620	807,447	—	—	912,067

The Group operates within one geographical segment because its revenues are primarily generated in the Anhui Province, PRC and its assets are mainly located in Anhui Province, PRC. Accordingly, no geographical segment data is presented.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

7 Concession intangible assets

Group

	31 December 2008	31 December 2007 (Restated)
Cost	**9,519,350**	8,175,464
Accumulated amortisation	**(2,149,796)**	(1,881,665)
Net book amount	**7,369,554**	6,293,799

	Year ended 31 December 2008	Year ended 31 December 2007 (Restated)
Opening net book amount	**6,293,799**	5,747,721
Additions	**1,343,886**	807,447
Amortisation charges (Note 30)	**(268,131)**	(261,369)
Closing net book amount	**7,369,554**	6,293,799

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(All amounts in Renminbi thousands unless otherwise stated)

7 Concession intangible assets (continued)

Company

	31 December 2008	31 December 2007 (Restated)
Cost	**8,393,833**	7,098,790
Accumulated amortisation	**(1,818,264)**	(1,595,213)
Net book amount	**6,575,569**	5,503,577

	Year ended 31 December 2008	Year ended 31 December 2007 (Restated)
Opening net book amount	**5,503,577**	5,044,299
Additions	**1,295,043**	682,669
Amortisation charges	**(223,051)**	(223,391)
Closing net book amount	**6,575,569**	5,503,577

As of 31 December 2007 and 2008, the toll roads under the Service Concessions and their respective concession periods granted are disclosed in Note 2.5.

All of the Group's lands under the Service Concessions are located in Anhui Province, the PRC and are held on lease terms of 29-30 years from the dates of acquisition, and expiring from 2026 to 2036.

Borrowing costs with the amount of RMB69,981 thousand have been capitalised in 2008 at an average interest rate of 6.3478% (2007: RMB15,518 thousand at an average interest rate of 5.1698%).

As at 31 December 2008, certain land use right certificates for Ninghuai expressway Tianchang section, Hening expressway and one toll station in Guangde with a total carrying amount of RMB144,064 thousand have not yet been obtained.

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(All amounts in Renminbi thousands unless otherwise stated)

8 Land use rights

The Group and the Company's interests in land use rights represent prepaid operating lease payments and their net book value are analysed as follows:

Group and Company

	31 December 2008	31 December 2007 (Restated)
Cost	**16,590**	16,590
Accumulated amortisation	**(4,108)**	(3,462)
Net book amount	**12,482**	13,128

	Year ended 31 December 2008	Year ended 31 December 2007 (Restated)
Opening net book amount	**13,128**	13,802
Amortisation charges (Note 30)	**(646)**	(674)
Closing net book amount	**12,482**	13,128

All of the Group's land use rights are located in Anhui Province, the PRC and are held on lease terms of 30 years from the dates of acquisition, and expiring in 2026.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

9 Property, plant and equipment

Group

	Toll Road	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
At 1 January 2007 (As previously reported)								
Cost	6,570,072	383,957	620,108	171,505	67,460	66,765	86,275	7,966,142
Accumulated Depreciation	(741,641)	(55,601)	(345,339)	(66,055)	(31,689)	(36,999)	—	(1,277,324)
Net book value	5,828,431	328,356	274,769	105,450	35,771	29,766	86,275	6,688,818
Effect of changes in accounting policies	(5,828,431)	—	—	—	—	—	(69,152)	(5,897,583)
At 1 January 2007 (Restated)	—	328,356	274,769	105,450	35,771	29,766	17,123	791,235
At 31 December 2007 (Restated)								
Opening net book amount	—	328,356	274,769	105,450	35,771	29,766	17,123	791,235
Additions	—	4,379	1,877	1,679	1,889	3,370	91,426	104,620
Disposals	—	(14,493)	(346)	(106)	(236)	(106)	—	(15,287)
Transfers	—	19,940	5,070	(18,775)	—	(3,549)	(2,686)	—
Transfer out to investment property (Note 10)	—	(23,671)	—	—	—	—	—	(23,671)
Depreciation (Note 30)	—	(10,994)	(45,744)	(15,357)	(6,863)	(6,295)	—	(85,253)
Closing net book amount	—	303,517	235,626	72,891	30,561	23,186	105,863	771,644
At 31 December 2007 (Restated)								
Cost	—	366,054	585,582	148,944	65,192	70,245	105,863	1,341,880
Accumulated Depreciation	—	(62,537)	(349,956)	(76,053)	(34,631)	(47,059)	—	(570,236)
Net book value	—	303,517	235,626	72,891	30,561	23,186	105,863	771,644
Year ended 31 December 2008								
Opening net book amount	—	303,517	235,626	72,891	30,561	23,186	105,863	771,644
Additions	—	186	1,078	546	9,306	3,732	69,771	84,619
Disposals	—	—	(13,549)	(10,144)	(441)	(227)	—	(24,361)
Transfers	—	33,949	8,919	6,360	874	3,253	(53,355)	—
Transfer out to investment property (Note 10)	—	(7,912)	—	—	—	—	—	(7,912)
Depreciation (Note 30)	—	(14,016)	(51,182)	(16,392)	(6,441)	(6,606)	—	(94,637)
Closing net book amount	—	315,724	180,892	53,261	33,859	23,338	122,279	729,353
At 31 December 2008								
Cost	—	391,400	555,875	110,020	73,944	76,593	122,279	1,330,111
Accumulated Depreciation	—	(75,676)	(374,983)	(56,759)	(40,085)	(53,255)	—	(600,758)
Net book value	—	315,724	180,892	53,261	33,859	23,338	122,279	729,353

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

9 Property, plant and equipment (continued)

Company

	Toll Road	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
At 1 January 2007 (As previously reported)								
Cost	5,777,755	417,375	651,487	169,468	60,998	76,308	85,726	7,239,117
Accumulated Depreciation	(625,682)	(55,808)	(340,347)	(63,174)	(28,411)	(39,971)	—	(1,153,393)
Net book value	5,152,073	361,567	311,140	106,294	32,587	36,337	85,726	6,085,724
Effect of changes in accounting policies	(5,152,073)	—	—	—	—	—	(68,983)	(5,221,056)
At 1 January 2007 (Restated)	—	361,567	311,140	106,294	32,587	36,337	16,743	864,668
At 31 December 2007 (Restated)								
Opening net book amount	—	361,567	311,140	106,294	32,587	36,337	16,743	864,668
Additions	—	4,215	678	302	1,889	3,235	90,723	101,042
Disposals	—	(14,487)	(346)	(106)	(205)	(57)	—	(15,201)
Transfers	—	19,940	5,070	(18,775)	—	(3,549)	(2,686)	—
Transfer out to investment property (Note 10)	—	(23,671)	—	—	—	—	—	(23,671)
Depreciation	—	(12,063)	(49,114)	(15,396)	(6,330)	(6,864)	—	(89,767)
Closing net book amount	—	335,501	267,428	72,319	27,941	29,102	104,780	837,071
At 31 December 2007 (Restated)								
Cost	—	398,983	620,790	145,531	60,133	74,068	104,780	1,404,285
Accumulated Depreciation	—	(63,482)	(353,362)	(73,212)	(32,192)	(44,966)	—	(567,214)
Net book value	—	335,501	267,428	72,319	27,941	29,102	104,780	837,071
Year ended 31 December 2008								
Opening net book amount	—	335,501	267,428	72,319	27,941	29,102	104,780	837,071
Additions	—	186	771	420	8,566	3,433	68,262	81,638
Disposals	—	—	(13,549)	(10,144)	(439)	(227)	—	(24,359)
Transfers	—	33,949	8,919	6,360	874	3,253	(53,355)	—
Transfer out to investment property (Note 10)	—	(7,912)	—	—	—	—	—	(7,912)
Depreciation	—	(15,413)	(53,054)	(16,245)	(5,224)	(9,912)	—	(99,848)
Closing net book amount	—	346,311	210,515	52,710	31,718	25,649	119,687	786,590
At 31 December 2008								
Cost	—	424,330	590,217	106,959	68,232	80,175	119,687	1,389,600
Accumulated Depreciation	—	(78,019)	(379,702)	(54,249)	(36,514)	(54,526)	—	(603,010)
Net book value	—	346,311	210,515	52,710	31,718	25,649	119,687	786,590

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(All amounts in Renminbi thousands unless otherwise stated)

10 Investment property

Group and Company

	Buildings
At 1 January 2007	
Cost	—
Accumulated amortisation	—
Net book amount	—
Year ended 31 December 2007	
Opening net book amount	—
Transferred in from property, plant and equipment (Note 9)	23,671
Amortisation expenses (Note 30)	(830)
Net book amount	22,841
At 31 December 2007	
Cost	25,676
Accumulated amortisation	(2,835)
Net book amount	22,841
Year ended 31 December 2008	
Opening net book amount	22,841
Transferred in from property, plant and equipment (Note 9)	7,912
Amortisation expenses (Note 30)	(972)
Net book amount	29,781
At 31 December 2008	
Cost	34,465
Accumulated amortisation	(4,684)
Net book amount	29,781

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(All amounts in Renminbi thousands unless otherwise stated)

11 Intangible assets

Group

	Computer Software
At 1 January 2007	
Cost	5,703
Accumulated amortisation	(1,715)
Net book amount	3,988
Year ended 31 December 2007	
Opening net book amount	3,988
Amortisation expenses (Note 30)	(503)
Net book amount	3,485
At 31 December 2007	
Cost	5,703
Accumulated amortisation	(2,218)
Net book amount	3,485
Year ended 31 December 2008	
Opening net book amount	3,485
Amortisation expenses (Note 30)	(638)
Net book amount	2,847
At 31 December 2008	
Cost	5,703
Accumulated amortisation	(2,856)
Net book amount	2,847

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(All amounts in Renminbi thousands unless otherwise stated)

12 Investments in subsidiaries - Company

	31 December 2008	31 December 2007
Investments, at cost:		
Unlisted shares	**138,495**	68,495

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

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paid in, issued and fully paid share capital (RMB'000)	Interest directly held by the Company (%)
Xuan Guang Expressway Company Limited ("Xuan Guang") (a)	PRC, limited liability company	Management and operation of expressway in Anhui province, PRC	111,760	55.47%
Anhui Kangcheng Pharmaceutical Company Limited. ("Kang Cheng")	PRC, limited liability company	Sales and development of pharmaceutical products in Anhui province, PRC	10,000	65.00%
Anhui Ningxuanhang Expressway Investment Company Limited ("Ningxuanhang") (b)	PRC, limited liability company	Management and operation of expressway in Anhui province, PRC	100,000	70.00%

(All amounts in Renminbi thousands unless otherwise stated)

12 Investments in subsidiaries - Company (continued)

The movement of the investments in subsidiaries of the Company is as follows:

	2008			
	Xuan Guang	**Kang Cheng**	**Ningxuanhang**	**Total**
	(Note a)		(Note b)	
Balance at 1 January 2008	**61,995**	**6,500**	**—**	**68,495**
Changes in the year	**—**	**—**	**70,000**	**70,000**
Balance at 31 December 2008	**61,995**	**6,500**	**70,000**	**138,495**

	2007			
	Xuan Guang	Kang Cheng	Ningxuanhang	Total
	(Note a)		(Note b)	
Balance at 1 January 2007	61,995	6,500	—	68,495
Changes in the year	—	—	—	—
Balance at 31 December 2007	61,995	6,500	—	68,495

(a) Investment in Xuan Guang

Xuan Guang is a co-operative joint venture established by the Company and Xuancheng Highway Management Company ("XHMC") in July 1998 with an operating period of 30 years. The Company invested in total RMB366,600,000 in Xuan Guang, in the forms of capital contribution of RMB36,660,000 and long term loan of RMB329,940,000, representing the Company's share of the total investment in Xuan Guang in excess of the Company's share of its registered capital. According to the joint venture contract, annual distribution (the "distribution") equalling net profit plus depreciation and amortisation of its property, plant and equipment are to be made wholly to the Company till the total distribution received by the Company equal to its total investment in Xuan Guang. Thereafter, the distribution will be shared by the Company and XHMC in proportion to their respective contributions to Xuan Gang's registered capital. The net profit portion of the distribution received is accounted for as dividend income while the amortisation and depreciation and amortisation portion of the distribution received is accounted for as repayments to the long term loan advanced to Xuan Guang.

Pursuant to a capital injection contract between the Company and XHMC dated 11th August 2003, XHMC contributed Xuanguang Expressway (Nanhuan section) to Xuan Guang at an agreed price of RMB398,800,000 in the form of capital contribution of RMB39,880,000 and long term loan of RMB358,920,000.

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(All amounts in Renminbi thousands unless otherwise stated)

12 Investments in subsidiaries - Company (continued)

(a) Investment in Xuan Guang (continued)

Pursuant to a share transfer agreement dated 11 September 2003 subsequently entered into by the Company and XHMC, the Company acquired XHMC's interests in Xuanguang (in the forms of paid-in-capital of RMB25,335,000 and shareholder's loan of RMB228,015,000) at a total consideration of RMB253,350,000. After the acquisition, the Company held 55.47% interest in Xuan Guang. The profit distribution arrangement of Xuan Guang mentioned above remains unchanged.

In 2007, pursuant to a resolution at the Board of Directors' 9th meeting of Xuan Guang, cash repayment amount with respect to depreciation and amortisation portion of the distribution was determined to repay the short term loans of Xuan Guang in priority before settlement of long-term payables to the Company and XHMC since 2007, until the short term loans are fully repaid.

According to the contracts, agreements and board resolution mentioned above, for the year ended 31 December 2008, the net profit portion of the distribution attributable to XHMC amounted to RMB48,095,766 (2007: RMB88,307,989); the depreciation and amortisation portion of the distribution attributable to XHMC amounted to RMB0 (2007: RMB0).

(b) Investment in Ningxuanhang

Pursuant to a resolution of Board of Director's meeting dated 6 March 2008, the Company set up Ningxuanhang, a new subsidiary, jointly with Xuancheng Communication Construction Co., Ltd. ("Xuancheng Communication Construction"). The registered capital of Ningxuanhang is RMB100,000,000 and the Company's share of equity interests is 70%. At 31 December 2008, the registered capital of RMB100,000,000 has been fully contributed by the Company and Xuancheng Communication Construction, respectively and it was verified by a local CPA firm.

As at 31 December 2008, Ningxuanhang was still in pre-operation.

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(All amounts in Renminbi thousands unless otherwise stated)

13 Loans to a subsidiary- Company

	31 December 2008	31 December 2007
Loans to a subsidiary	**183,171**	172,530

As at 31 December 2008 and 2007, loans to a subsidiary represent the Company's share of the total investment in Xuan Guang in excess of the Company's share of its registered capital (Note 12(a)).

The carrying amounts and fair values of the loans are as follows:

	Carrying Amounts		**Fair Value**	
	31 December 2008	31 December 2007	**31 December 2008**	31 December 2007
Loans to a subsidiary - Xuan Guang	**183,171**	172,530	**251,681**	148,854

The above loans are unsecured, and the repayment terms are set out in Note 12(a).

The fair values of the loans are based on cash flows discounted using 5.94%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2008 (31 December 2007: 7.83%).

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

14 Investments in associates

Group

	31 December 2008	31 December 2007
Beginning of the year	**7,409**	6,455
Share of associates' results		
– profit before income tax	**3,941**	1,712
– income tax	**(988)**	(608)
Increase of equity interest in associates (a)	**17,556**	—
Dividends declared	**(3,990)**	—
Dispose of an associate (b)	**—**	(150)
End of the year	**23,928**	7,409

(a) The Company increased its equity interests in Anhui Expressway Advertisement Co., Ltd. by RMB17,556,000 in 2008. The capital contribution was verified by a local CPA firm.

(b) The Group transferred all its 20% equity interest in Anhui Highway Real Estate Co., Ltd. to AEHC in 2007 with a consideration of RMB4,633,314, the fair value which was valuated by an independent certified valuer. The transaction has been approved by government and the disposal gain of RMB4,483,998 was recorded as other gains (Note 29).

The Group's interest in its associates, all of which are unlisted, were as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenue	Net Profit	% of Interest held
2008							
Anhui Expressway Advertisement Co., Ltd.	Equity capital	PRC	38,066	14,138	11,152	2,953	38%
2007							
Anhui Expressway Advertisement Co., Ltd.	Equity capital	PRC	16,914	9,505	6,071	1,104	38%

(All amounts in Renminbi thousands unless otherwise stated)

14 Investments in associates (continued)

Company

	31 December 2008	31 December 2007
Unlisted equity, at cost	**18,999**	1,443

15 Available-for-sale financial assets

Group and Company	31 December 2008	31 December 2007
Unlisted equity securities	**18,000**	18,000

The unlisted equity securities represent the Company's 18% equity interest in an unlisted company located in Anhui Province, the PRC.

16 Trade and other receivables

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
Prepayments	**197**	192	**191**	192
Dividends receivable (a)	**3,990**	—	**3,990**	—
Others (b)	**16,184**	15,199	**15,461**	14,767
	20,371	15,391	**19,642**	14,959
Less: Provision for impairment in value	**—**	—	**—**	—
	20,371	15,391	**19,642**	14,959

(a) A dividend of RMB3,990,000 was declared by Anhui Expressway Advertisement Co., Ltd. in 2008 but was not received by the Company as at 31 December 2008.

(b) As at 31 December 2008, others mainly include receivable from the toll settlement centre of Anhui Province of RMB11,768,807 (2007: RMB9,539,824) for toll road management and maintenance.

The balances were all non-interest bearing and aged within one year.

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(All amounts in Renminbi thousands unless otherwise stated)

17 Inventories

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
Materials for toll road maintenance	**1,857**	2,983	**1,857**	2,983

18 Cash and cash equivalents

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
Cash at bank and in hand	**531,235**	407,178	**385,057**	376,468

The weighted average effective interest rate per annum on cash at bank was approximately 0.69% (2007: 0.72%).

The carrying amounts of cash at bank and in hand are denominated in the following currencies:

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
RMB	**514,141**	387,224	**367,963**	356,514
HKD	**17,094**	19,954	**17,094**	19,954
	531,235	407,178	**385,057**	376,468

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

19 Ordinary share capital and share premium

	Number of shares (thousands)	Ordinary share capital	Share Premium	Total
At 1 January 2007	1,658,610	1,658,610	1,447,459	3,106,069
Changes in the year (a)	—	—	(31,866)	(31,866)
At 31 December 2007	1,658,610	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—
At 31 December 2008	1,658,610	1,658,610	1,415,593	3,074,203

The total authorized number of ordinary shares is 1,658,610,000 shares with a par value of RMB1 per share. All issued shares are fully paid.

(a) The corporate tax income tax ("CIT") rate applicable to the Company has changed to 25% from 1 January 2008 onwards. Hence, the deferred tax liabilities arose from the appraisal for expressway (recorded as deduction of share premium before) are restated by tax rate of 25% as at 31 December 2007 (Note 26).

Share reform plan

Pursuant to the Revised Share Reform Plan announced by the Company on 14 February 2006, AEHC and Huajian Transportation Economic Development Centre, both of whom are shareholders of the Company, proposed to offer, free of consideration, the holders of A Shares on the basis of 2 shares and RMB4.35 for every 10 A Shares held by these shareholders on 30 March 2006. The original non-tradable A shares held by AEHC and Huajian Transportation Economic Development Centre would be granted the status of listing after implementation of the Revised Share Reform Plan. The proposal has been approved by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province (Wan Guo Zi Chan Quan Han 2006 No.50), Ministry of Commerce of the PRC (Shang Zi Pi 2006 No.844) and has been approved at the relevant shareholders' meeting held on 27 February 2006.

Pursuant to the Revised Share Reform Plan, 165,861,000 non-tradable A shares equally held by AEHC and Huajian Transportation Economic Development Centre have been transferred to tradable A shares since 3 April 2008 (2007: 165,861,000 shares).

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(All amounts in Renminbi thousands unless otherwise stated)

20 Other reserves

Group

	Capital Surplus	Statutory Surplus Reserve Fund	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Excess of the consideration over carrying amount of the minority interests acquired	Total
Balance at 1 January 2007	2,243	613,737	658	40,820	(699,147)	(41,689)
Profit appropriations	—	47,153	—	—	—	47,153
Utilization of Enterprise Safety Fund	—	—	—	(2,079)	—	(2,079)
Balance at 31 December 2007	2,243	660,890	658	38,741	(699,147)	3,385
Profit appropriations	—	71,042	—	—	—	71,042
Utilization of Enterprise Safety Fund	—	—	—	(363)	—	(363)
Balance at 31 December 2008	2,243	731,932	658	38,378	(699,147)	74,064

Company

	Statutory Surplus Reserve Fund	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Total
Balance at 1 January 2007	556,580	658	33,341	590,579
Profit appropriations	47,153	—	—	47,153
Utilization of Enterprise Safety Fund	—	—	(362)	(362)
Balance at 31 December 2007	603,733	658	32,979	637,370
Profit appropriations	71,042	—	—	71,042
Utilization of Enterprise Safety Fund	—	—	(363)	(363)
Balance at 31 December 2008	674,775	658	32,616	708,049

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

21 Deferred income

Group and Company

	31 December 2008	1 December 2007
Government grants	**46,000**	48,000

Deferred income represents government grants relating to assets and is amortised over 25 years (Note 2.19).

22 Trade and other payables

	Group As at 31 December		**Company As at 31 December**	
	2008	2007	**2008**	2007
Payables on acquisition of concession intangible assets and property, plant and equipment	**488,632**	363,598	**421,501**	271,736
Payables on repair and maintenance projects	**38,343**	37,095	**38,343**	37,095
Deposit for construction projects	**37,714**	40,765	**35,186**	35,588
Toll received on behalf of other entities	**36,113**	34,672	**33,189**	33,719
Other taxation payables	**21,327**	19,536	**18,415**	16,999
Accrued expenses	**5,737**	9,059	**5,737**	9,059
Other payables	**36,363**	70,142	**28,666**	59,696
	664,229	574,867	**581,037**	463,892

At 31 December 2008, all the trade and other payables were aged within one year.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

23 Borrowings

Group

	31 December 2008		31 December 2007	
	Interest rate per annum		Interest rate per annum	
Unsecured short-term bank borrowings denominated in RMB	**4.536%-7.097%**	**2,225,000**	4.860%-6.242%	1,390,000

Company

	31 December 2008		31 December 2007	
	Interest rate per annum		Interest rate per annum	
Unsecured short-term bank borrowings denominated in RMB	**4.536%-7.097%**	**1,910,000**	4.860%-6.242%	1,150,000

At 31 December 2008, the carrying amounts of short-term borrowings approximate their fair value.

The Group has the following un-drawn borrowing facilities at the balance sheet date:

	31 December 2008	1 December 2007
Expiring within one year	**345,000**	1,120,000

(All amounts in Renminbi thousands unless otherwise stated)

24 Provision - Maintenance/resurfacing obligations (Note 5(b))

	Group	**Company**
Balance at 1 January 2007 (As previously reported)	—	—
Effect of changes in accounting policies	47,157	46,570
Balance at 1 January 2007(Restated)	47,157	46,570
Additions/(Deduction)	(26,932)	(26,674)
Balance at 31 December 2007 (Restated)	20,225	19,896
Additions/(Deduction)	(4,259)	(4,196)
Balance at 31 December 2008	15,966	15,700

25 Long-term payables - Group

	31 December 2008	31 December 2007
Long-term payables to a minority shareholder of a subsidiary	**249,568**	235,070

As at 31 December 2008 and 2007, long-term payables represented payables to XHMC, the minority shareholder of Xuan Guang, representing XHMC's share of total investment in Xuan Guang in excess of XHMC's equity contribution in Xuan Guang. Details of repayment terms of such long-term payables are set out in Note 12 (a).

As at 31 December 2008, the undiscounted amount of long-term payables was RMB447,916,000 (2007: 447,916,000).

The carrying amounts and fair values of long-term payables are as follows:

	Carrying Amounts		**Fair Value**	
	31 December 2008	31 December 2007	**31 December 2008**	31 December 2007
Long-term payables to XHMC (Note 41)	**249,568**	235,070	**251,681**	195,487

The fair values of long-term payables are based on cash flows discounted using 5.94%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2008 (31 December 2007: 7.83%).

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

26 Deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority. The offset amounts are as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007 (Restated)	**2008**	2007 (Restated)
Deferred tax assets:				
– Deferred tax to be realised after more than 12 months	**—**	—	**—**	—
– Deferred tax to be realised within 12 months	**—**	—	**5,283**	12,780
	—	—	**5,283**	12,780

The movement on the Company's deferred income tax assets is as follows:

	Valuation of assets and depreciation toll roads	Valuation and amortisation of toll roads related land use rights	Provision	Accounting for Interest free loan	Accounting for Government grants	Others	Total
Balance at 1 January 2007 (As previously reported)	—	—	—	—	—	—	—
Effect of changes in accounting policies	(12,108)	(6,302)	(15,368)	19,801	—	2,276	(11,701)
Balance at 1 January 2007 (Restated)	(12,108)	(6,302)	(15,368)	19,801	—	2,276	(11,701)
Deferred taxation charged to income statement	1,512	(105)	20,342	8,799	15,840	9,959	56,347
Deferred taxation charged to equity (Note 19)	(31,866)	—	—	—	—	—	(31,866)
Balance at 31 December 2007 (Restated)	(42,462)	(6,407)	4,974	28,600	15,840	12,235	12,780
Deferred taxation charged to income statement	4,051	345	(1,049)	(2,660)	(660)	(7,524)	(7,497)
Balance at 31 December 2008	(38,411)	(6,062)	3,925	25,940	15,180	4,711	5,283

(All amounts in Renminbi thousands unless otherwise stated)

26 Deferred tax assets and liabilities (continued)

The movement on the Group's deferred income tax liabilities is as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2008	2007 (Restated)	**2008**	2007 (Restated)
Deferred tax liabilities:				
– Deferred tax to be settled after more than 12 months	**(68,547)**	(66,303)	**—**	—
– Deferred tax to be settled within 12 months	**—**	—	**—**	—
	(68,547)	(66,303)	**—**	—

The movement on the Group's deferred income tax liabilities is as follows:

	Valuation of assets and depreciation toll roads	Valuation and amortisation of toll roads related land use rights	Provision	Accounting for Interest free loan	Accounting for Government grants	Others	Total
Balance at 1 January 2007 (As previously reported)	(151,579)	(4,051)	—	(52,848)	—	7,955	(200,523)
Effect of changes in accounting policies	124,608	—	15,562	—	—	—	140,170
Balance at 1 January 2007 (Restated)	(26,971)	(4,051)	15,562	(52,848)	—	7,955	(60,353)
Deferred taxation charged to income statement (Note 33)	16,375	(2,355)	(10,505)	(363)	15,840	6,924	25,916
Deferred taxation charged to equity (Note 19)	(31,866)	—	—	—	—	—	(31,866)
Balance at 31 December 2007 (Restated)	(42,462)	(6,406)	5,057	(53,211)	15,840	14,879	(66,303)
Deferred taxation charged to income statement (Note 33)	4,050	344	(1,066)	3,624	(660)	(8,536)	(2,244)
Balance at 31 December 2008	(38,412)	(6,062)	3,991	(49,587)	15,180	6,343	(68,547)

(All amounts in Renminbi thousands unless otherwise stated)

27 Retirement benefit obligations - Group

The Group participates in the Anhui Provincial Retirement Scheme managed by Anhui Social Security Bureau ("the Bureau"). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to the 20%-23% (2006: 20%-23%) of the basic monthly salary, subject to certain ceiling, in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

In addition to the above pension plans, the employees of the Group also entered into a supplementary pension scheme on a voluntary basis. The Group is required to make an annual contribution to an independent fund management company equivalent to the basic monthly salary, subject to certain ceiling, in respect of its employees. The Group is also required to pay RMB230 every month to those employees, who have retired or will retire before 31 December 2015. As at 31 December 2008, the retired employees of the Group were 23.

28 Revenue - Group

	Year ended 31 December	
	2008	2007 (Restated)
Toll income from toll roads operation	**1,609,582**	1,651,216
Revenue from construction or upgrade work under Service Concessions	**1,273,905**	791,929
Service income from toll roads service sector	**53,771**	—
Rental income	**2,366**	14,019
Service income from management of toll roads	**15,492**	9,086
Service income from roads emergency assistance	**8,226**	7,382
Other	**120**	7,176
	2,963,462	2,480,808

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

29 Other gains / (losses) - net - Group

	Year ended 31 December	
	2008	2007
Dividend income from an unlisted company (Note 15 and 38)	**900**	900
Gain on disposal of investments in an associate (Note 14 and 38)	**—**	4,484
Interest income (Note 38)	**5,090**	3,564
Loss from disposal on property, plant and equipment (Note 38)	**(24,090)**	(15,009)
Gain from disposal on property, plant and equipment (Note 38)	**13**	—
Government grants		
– Subsidy income (a)	**59,120**	—
– Government grants relating to assets (Note 21)	**2,000**	2,000
Others	**(618)**	3,618
	42,415	(443)

(a) The Company received subsidy associated with enterprise income tax with the amount of RMB59,120,000 from the Department of Finance of Anhui Province in 2008 (2007: nil).

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

30 Expenses by nature - Group

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 December	
	2008	2007 (Restated)
Costs for construction or upgrade work under the Service Concessions (a)	**1,273,905**	791,929
Depreciation and amortisation expenses (Note 7,8,9,10,11)	**365,024**	348,629
Employee benefit expenses (Note 31)	**102,087**	86,426
Repair and maintenance expenses	**118,866**	69,035
Tax related to revenue (b)	**53,431**	54,691
Expenses for toll roads service sector	**35,972**	—
Auditor's remuneration	**1,890**	1,650
Others	**22,428**	11,452
	1,973,603	1,363,812

(a) For year ended 31 December 2008 and 2007, the expenses for construction or upgrade work under the Service Concessions, the depreciation and amortisation expenses and repair and maintenance expenses were recorded in cost of sales.

(b) Tax related to revenue

The Group is subject to Business Tax ("BT") at the rate of 3% for toll income and of 5% for others respectively. Revenue from construction or upgrade work under the Service Concessions is not subject to BT.

In addition to BT, the Group is subject to the following supplemental turnover taxes:

(i) City Development Tax - levied at 5%-7% of BT.

(ii) Education Supplementary Tax - levied at 3% of BT.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

31 Employee benefit expenses - Group

	Year ended 31 December	
	2008	2007
Salaries and wages	**79,173**	64,017
Retirement benefits	**2,345**	6,779
Other welfares	**20,569**	15,630
	102,087	86,426

As at 31 December 2008, the number of employees were 1,823 (31 December 2007: 1,873).

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2008 is set out below:

Name of Director	Fees	Salaries	Other benefits	Contribution to pension scheme	Total
Executive Directors					
Mr. Wang Shui	—	650	—	10	660
Mr. Li Yungui	—	390	—	10	400
Mr. Tu Xiaobei	—	390	—	10	400
Mr. Li Junjie	—	135	—	—	135
Non Executive Directors					
Mr. Zhang Wenshen	38	—	—	—	38
Mr. Li Zhanglin	38	—	—	—	38
Mr. Liu Xianfu	30	—	—	—	30
Mr. Meng Jie	30	—	—	—	30
Independent Directors					
Mr. Liang Mingjie	108	—	—	—	108
Ms Li Mei	68	—	—	—	68
Ms Guo Shan	68	—	—	—	68
	380	1,565	—	30	1,975

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

31 Employee benefit expenses - Group (continued)

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

The remuneration of every Director for the year ended 31 December 2007 is set out below:

Name of Director	Fees	Salaries	Other benefits	Contribution to pension scheme	Total
Executive Directors					
Mr. Wang Shui	—	650	—	10	660
Mr. Li Yungui	—	390	—	10	400
Mr. Tu Xiaobei	—	390	—	10	400
Mr. Zhang Hui	—	90	—	—	90
Non Executive Directors					
Mr. Zhang Wenshen	60	—	—	—	60
Mr. Li Zhanglin	60	—	—	—	60
Independent Directors					
Mr. Liang Mingjie	100	—	—	—	100
Ms Li Mei	60	—	—	—	60
Ms Guo Shan	60	—	—	—	60
	340	1,520	—	30	1,890

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years include four directors, whose emoluments are reflected in the analysis presented above, and an employee whose emoluments amounted to RMB390,000 (2007: 390,000).

(All amounts in Renminbi thousands unless otherwise stated)

32 Finance costs - Group

	Year ended 31 December	
	2008	2007
Interest expense on:		
– bank borrowings	**51,086**	54,534
– long-term payables (Note 25, a)	**14,498**	(52,700)
	65,584	1,834

(a) As set out in Note 25, long-term payables to a minority shareholder was recognized initially at fair value and subsequently measured at amortised cost using the effective interest method. There is a presumption that the settlement period and annual cash repayment amount can be estimated. Before 2007, management estimates settlement period and annual cash repayment amount based on the joint venture contract signed between the Company and XHMC originally (Note 12 (a)). In 2007, pursuant to a resolution at the Board of Directors' 9th meeting of Xuan Guang, cash repayment amount with respect to depreciation and amortisation portion of the distribution was determined to repay the short term loans of Xuan Guang in priority before settlement of long-term payables to the Company and XHMC since 2007, until the short term loans are fully repaid. Thus, the settlement period for the long-term payables to XHMC was to be extended by about 5 years. The discounted present value of the cash flows under the revised extended settlement period using the original effective interest rate was more than 10% different from the discounted present value of the remaining cash flows of the original long-term payables. Consequently, the Group accounted for this as an extinguishment of the original financial liability and the recognition of a new financial liability according to HKAS 39. The difference between carrying amount of the original and new financial liability are recognised in the income statement as finance costs in 2007.

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(All amounts in Renminbi thousands unless otherwise stated)

33 Taxation - Group

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 December	
	2008	2007 (Restated)
Current taxation- EIT (a)	**248,742**	360,785
Provision of 2006 income tax due to EIT ratio change notified by local tax authority (b)	**—**	149,550
Deferred taxation (Note 26)	**2,244**	(25,916)
	250,986	484,419

(a) Hong Kong profits tax and PRC Enterprise Income Tax

There was no Hong Kong profits tax liabilities as the Group has no assessable income which is subject to Hong Kong profits tax.

Effective from 1 January 2008, the Company and its subsidiaries, associated companies determined and paid the PRC Corporate Income Tax in accordance with the new CIT Law as approved by the National People's Congress on 16 March 2007. Under the new CIT Law, the CIT rate applicable to the Company and its subsidiaries, associated companies has changed from 33% to 25% from 1 January 2008 onwards.

(b) Provision of 2006 income tax

The Company was established in Anhui Hefei National New & High Technology Industrial Development Zone and was ratified as a new and high technology enterprise by Anhui Ministry of Science (identification number: 0034010A0279). The Company used a preferential enterprise income tax ("EIT") rate of 15% before 2006 in annual tax filing process, according to PRC tax regulations (Caishui [1994] No.001) and the tax authority approved the Company's annual tax filing for the years before 2006. During 2006 tax clearance in April 2007, local tax authority notified the Company that the existing EIT rate of 15% in declaring EIT was not appropriate and should be adjusted to 33%, hence additional RMB149,549,739 EIT was levied for the year ended 31 December 2006 and was recorded in the income tax expenses in 2007.

(All amounts in Renminbi thousands unless otherwise stated)

33 Taxation - Group (continued)

(c) Withholding tax ("WHT") for dividend paid to foreign investors

According to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from January 1, 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. According to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008, where the Company declares dividend in 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT. For dividend which arises from the Company's profit earned after 1 January 2008, WHT is levied on the foreign shareholders.

In 2008, no dividend was declared which arose from the Company's profit earned after 1 January 2008 therefore the Company did not have WHT obligation as at 31 December 2008.

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate for companies in PRC as follows:

	Year ended 31 December	
	2008	2007 (Restated)
Profit before income tax	**969,642**	1,115,823
Weighted - average EIT rates	**25.88%**	29.17%
Tax calculated at the weighted-average tax rate	**250,986**	325,486
Effect of change of tax rate for the calculation of deferred taxation	**—**	9,383
Provision of 2006 income tax due to EIT ratio change notified by local tax authority (Note b)	**—**	149,550
Tax Charge	**250,986**	484,419

34 Profit attributable to shareholders of the Company

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately RMB680,616,000 (2007: RMB495,029,000 (restated)).

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(All amounts in Renminbi thousands unless otherwise stated)

35 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. No diluted earnings per share is presented as the Company has no dilutive potential shares.

	Year ended 31 December	
	2008	2007 (Restated)
Profit attributable to equity holders of the Company	**670,700**	543,243
Weighted average number of ordinary shares in issue (thousands)	**1,658,610**	1,658,610
Basic earnings per share (expressed in RMB per share)	**0.4044**	0.3275

36 Dividends

The dividends paid during the years ended 31 December 2008 and 2007 were RMB331,722,000 (RMB0.20 per share) and RMB414,652,500 (RMB0.25 per share) respectively. A final dividend in respect of 2008 of RMB0.23 per share, amounting to a total dividend of RMB381,480,300 will be proposed at the Annual General Meeting on 24 April 2009. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2008	2007
Proposed final dividend of RMB0.23 (2007: RMB0.20) per ordinary share	**381,480**	331,722

37 Appropriation

Statutory Surplus Reserve Fund

In accordance with the PRC Company Law and the Company's Articles of Association, the Company and its subsidiaries shall appropriate 10% of their annual statutory net income (after offsetting any prior years' losses) to the statutory surplus reserve account. When the balance of such reserve reaches 50% of the Company's share capital and the respective subsidiaries' registered capital, any further appropriation is optional. The statutory surplus reserve fund can be utilized to offset prior years' losses or to issue bonus shares. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of share capital / registered capital after such issue.

Dividends distribution

According to the Articles of Association of the Company, the dividends distribution of the Company is based on the lower of the retained earnings in the statutory financial statements and in the financial statements prepared in according with HKFRS.

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

38 Notes to consolidated cash flow statement

Reconciliation from profit before income tax to net cash inflow from operating activities:

	Year ended 31 December	
	2008	2007 (Restated)
Profit before income tax	**969,642**	1,115,823
Adjustments for:		
Settlement of revenue in form of concession intangible assets	**(1,273,905)**	(791,929)
Amortisation of Concession intangible assets	**268,131**	261,369
Depreciation of property, plant and equipment	**94,637**	85,253
Depreciation of investment property	**972**	830
Amortisation of land use rights	**646**	674
Amortisation of intangible assets	**638**	503
Loss on disposal of property, plant and equipment	**24,090**	15,009
Gain on disposal of property, plant and equipment	**(13)**	—
Share of profit of associates	**(2,952)**	(1,104)
Gain on disposal of investment in an associate	**—**	(4,484)
Interest income	**(5,090)**	(3,564)
Interest expense	**65,584**	1,834
Dividend income	**(900)**	(900)
Operating profit before working capital changes	**141,480**	679,314
Decrease / (Increase) in inventories	**1,126**	(110)
Decrease in provision	**(4,259)**	(26,931)
(Increase) / Decrease in prepayments and other receivables	**(4,980)**	6,151
(Decrease) / Increase in trade and other payables	**89,067**	128,214
Cash generated from operating activities	**222,434**	786,638

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

39 Commitments - Group

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	Year ended 31 December	
	2008	2007
Concession intangible assets		
– Approved but not contracted	**201,737**	189,162
Concession intangible assets		
– Contracted but not provided for	**719,000**	981,784

40 Contingency

As described in Note 33(b), the Company's income tax expense in 2006 was adjusted by tax authority in the year of 2007.

As of the date of the issuance of the financial statements, the Company's management believes it is not likely that the income tax rate for the years before 2006 will be adjusted and the contingency does not have significant impact to the financial statements as well.

41 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Name of related party and relationship

Name	Relationship with the Group
AEHC	Major shareholder
XHMC	Minority shareholder of Xuan Guang
Anlian Expressway Co., Ltd. ('ALEC')	Subsidiary of AEHC
Anhui Expressway Investment Co., Ltd. ('AEIC')	Subsidiary of AEHC
Anhui Yanjiang Expressway Co., Ltd. ('AYEC')	Subsidiary of AEHC
Anhui Hehuaifu Expressway Co., Ltd. ('AHEC')	Subsidiary of AEHC
Anhui Yida Toll Road Management Co., Ltd. ('YTMC')	Subsidiary of AEHC
Anhui Expressway Advertisement Co., Ltd. ('AEAC')	Subsidiary of AEHC
Anhui Expressway Real Estate Co., Ltd. ('AREC')	Subsidiary of AEHC
Anhui Modern Transportation Facilities Co., Ltd. ('MTFC')	Subsidiary of AEHC
Anhui Expressway Experiment Research Centre ('AERC')	Subsidiary of AEHC

(All amounts in Renminbi thousands unless otherwise stated)

41 Related party transactions (continued)

(b) Related party transactions

Apart from transferring equity interest in an associate to AEHC as disclosed in Note 14(b), the Group had the following significant transactions with related parties:

(i) Service income from management of toll roads

	Year ended 31 December	
	2008	2007
AEHC	**3,749**	998
ALEC	**1,250**	333
AYEC	**1,581**	—
AHEC	**827**	—
	7,407	1,331

(ii) Rental income

	Year ended 31 December	
	2008	2007
AEIC	**339**	263
YTMC	**366**	—
	705	263

(iii) Paid and payable for management of toll road service sectors

	Year ended 31 December	
	2008	2007
YTMC	**3,500**	—

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

41 Related party transactions (continued)

(b) Related party transactions (continued)

(iv) Construction and testing service received and receivable

	Year ended 31 December	
	2008	2007
AEAC	**4,762**	—
AEIC	**2,566**	—
AERC	**1,848**	—
AREC	**1,270**	—
AHEC	**880**	—
AKMP	**646**	—
	11,972	—

It mainly represented project management fee paid/payable to above related parties for construction and testing service in connection with the upgrade project of Gaojie Expressway, which was started from the end of 2007.

(v) Transactions with the State-owned Enterprises

	Year ended 31 December	
	2008	2007
Borrowings from banks	**1,235,000**	2,746,000
Toll road repair and maintenance cost paid and payable	**13,661**	2,003
Toll road construction / upgrade cost paid and payable	**825,186**	534,454
	2,073,847	3,282,457

(All amounts in Renminbi thousands unless otherwise stated)

41 Related party transactions (continued)

(c) Related party balances

(i) Trade payables

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
MTFC	**4,641**	—	**—**	—
AEIC	**357**	—	**357**	—
State-owned Enterprises	**431,386**	118,514	**395,419**	58,348
	436,384	118,514	**395,776**	58,348

(ii) Other payables

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
YTMC	**3,015**	—	**3,015**	—
MTFC	**359**	—	**—**	—
State-owned Enterprises	**1,720**	2,430	**1,700**	2,430
	5,094	2,430	**4,715**	2,430

For the year ended 31 December 2008
(All amounts in Renminbi thousands unless otherwise stated)

41 Related party transactions (continued)

(c) Related party balances (continued)

(iii) Long term payables

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
XHMC	**249,568**	235,070	**—**	—

As at 31 December 2008 and 31 December 2007, amounts due from and due to the related parties as afore mentioned, except for long term payables to XHMC as disclosed in Note 25, mainly arose from the above transactions and payments made by the Company and related parties on behalf of each other. These amounts are unsecured, interest-free and are repayable within 1 year.

(iv) Bank deposits and borrowings with state-owned banks

	Group As at 31 December		Company As at 31 December	
	2008	2007	**2008**	2007
State-owned banks-bank deposits	**329,088**	272,442	**205,991**	252,801
State-owned banks-borrowings	**625,000**	440,000	**460,000**	250,000

42 Events after the balance sheet date

Pursuant to a resolution of the Board of Meeting on 6 March 2009, the Company decides to issue corporate bonds in Shanghai Stock Exchange in an aggregate amount of RMB2 billion, at maximum. The redemption period is 5 to 8 years. The above resolution is still pending for approval by the Annual General Shareholder Meeting.

Confirmation Opinion to 2008 Annual Report by Directors and Senior Management

Being the Directors and Senior Management of Anhui Expressway Company Limited, we hereby confirm in writing that the content of the 2008 annual report is authentic, accurate, complete, of the opinion that there are no false representations or misleading statements contained in or material omissions from this report; and shall be severally and jointly accept responsibility for the authenticity, accuracy and completeness of the content of this report.

Directors' Signature:

Wang Shui:	Li Yungui:
Tu Xiaobei:	Li Junjie:
Liu Xianfu:	Meng Jie:
Leung Man Kit:	Li Mei:
Guo Shan:	

Senior Management Members' Signatures:

Xie Xinyu:	Wang Changyin:
Liang Bing:	

6 March 2009

I. Profile of the highways

Hening Expressway

Hening Expressway is a 134kmr long dual carriageway four-lane expressway owned by the Company in Anhui Province linking Dashushan and Zhouzhuang. This expressway forms an integral part of the "Two Verticals and Two Horizontals" National Trunk Highway from Shanghai to Chengdu in Sichuan Province, which also forms part of the National Tunk 312 linking Shanghai and Yining in Xinjiang. It is currently a major source of profit and cash flow for the Company.

The New Tianchang Section of National Trunk 205

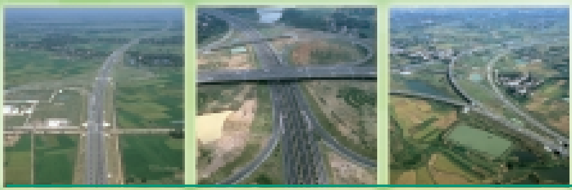
The New Tianchang Section of National Trunk 205 is a dual carriageway four-lane vehicular highway of Class 1 standard of 30km long situated in Tianchang in Anhui Province. Tianchang Section is a part of National Trunk 205, which starts in Shanhaiguan, Hebei Province and ends in Guangzhou, Guangdong Province. This national trunk also forms part of the highway linking Lianyungang and Nanjing in Jiangsu Province.

Ninghuai Expressway Tianchang Section

Ninghuai Expressway Tianchang Section is an important road section of Ninghuai Expressway, with a whole length of 13.989km, and has the standard of dual carriageway six-lane expressway. It was completed and opened to traffic on 18 December 2006. The road runs through Tianchang city east of Anhui Province, starting from the terminal of the Jiangsu Nanjing Section of Ninghuai Expressway in Tianchang city, and ending at the Jiangsu Huaian Section of the Ninghuai Expressway. It is an important part in the key highway and national "7918" expressway network from Changchun to Shenzhen for the economic development of the eastern Anhui and the whole of northern Jiangsu, at the same time is also an important part in the key backbone in the trunk road network in Anhui Province. It directly or indirectly links various National Trunks of Hurong, Jinghu, Tongshan, Lianhuo, Ninghang and national key planned highway constructions of Jiayin to Nanping, Shanghai to Luoyang.

Gaojie Expressway

The Gaohe to Jiezidum Expressway, with a length of approximately 110km, is an existing dual carriageway four-lane expressway that forms part of the "Two Verticals and Two Horizontals" National Trunk System between Shanghai to Chengdu in Sichuan. The Expressway, originating from Gaohe Town, Huaining County, Anhui Province, links up with the Hening Expressway, operated by the Company, through Heife-Anqing Highway and terminates at the border between Hunan and Anhui at Jiezidun, Susong County, Anhui Province. It further runs westward to link up with cities like Wuhan, Chongqing and Chengdu and is an important trunk road that links up the central and western region with the south-eastern coastal region.



Xuanguang Expressway

The Xuanzhou to Guangde Expressway is an existing dual carriageway four-lane expressway located in the south-eastern part of Anhui Province with total mileage of 84km constructed in two phases. Xuanzhou-guangde section, which is about 67km long, was opened to traffic in September 1997. Xuanzhou south ring road is a 17km long expressway, which links Xuanguang Expressway near Shuangqiao, Xuanzhou, and was opened to traffic in July 2001 and merged into the Company in August 2003. This expressway starts from Xuanzhou in Anhui Province and ends near Jiepai, Guangde in Anhui Province and forms part of the National Trunk 318 extending from Shanghai to Nielamu in Tibet. National Trunk 318 is a key transport artery, linking the coastal regions with the inland and the western boarder of the PRC.

Lianhuo Expressway Anhui Section

Lianhuo Expressway Anhui Section is a 54km long dual carriage four-lane expressway, part of the "Two Verticals and Two Horizontals" National Trunk between Lianyungang and Huoerguosi in Anhui Province. Connecting with the highways located in Henan and Jiangsu Province and the expressways between Beijing and Fuzhou, it plays an important role in China's politics, economy, military affairs and National Truck Networks.

Ningxuanhang Expressway Anhui Section

Ningxuanhang Expressway Anhui Section is a 122km long dual carriage four-lane expressway with asphalt concrete road surface, which starts at the border between Anhui and Jiangsu at Jinshankou, passing through Xuancheng and Ningguo, terminates at the boarder between Anhui and Zhejiang at Qianqiuguan. This expressway forms an important part of the "Four Verticals and Eight Horizontals" of expressway network in Anhui Province, which is the tie communicating Anhui and Zhejiang and linking two big economic regions of Nanjing and Hangzhou. This expressway is planned to construct by three sections, the first is Xuancheng to Ningguo section with total of 44km, the second is Gaochun to Xuancheng section with total of 33km and the third is Ningguo to Qianqiuguan section with total of 45km.

II. Vehicles classification and toll Rates

Vehicles classification and toll rates for expressways (Ninghuai Expressway Tianchang Section excluded)

Unit: vehicle km

Vehicles type	Classification Passenger vehicles	 Goods vehicles	Toll rates
Type 1	7 seats or below (including 7 seats)	2 tons or below	RMB0.40 (including 2 tons)
Type 2	Between 8 seats and 19 seats	Between 2 tons and 5 tons (including 5 tons)	RMB0.70
Type 3	Between 20 seats and 39 seats	Between 5 tons and 10 tons (including 10 tons)	RMB1.00
Type 4	40 seats or above (including 40 seats)	Between 10 tons and 15 tons (including 15 tons)	RMB1.20
		20 foot container	RMB1.20
Type 5		Above 15 tons	RMB1.40
		40 foot container	RMB1.40

Vehicles Classification and Toll Rates of Ninghuai Expressway Tianchang Section

Vehicles type	Classification		Toll rates (RMB/km)	Minimum toll collection
	Passenger vehicles	Goods vehicles		
Type 1	7 seats or below (including 7 seats)		0.45	5
		2 tons or below (including 2 tons)	0.675	15
Type 2	Between 8 seats and 19 seats		0.675	15
		Between 2 tonsand 5 tons (including 5 tons)	0.90	20
Type 3	Between 20 seats and 39 seats		0.90	20
		Between 5 tons and 10 tons (including 10 tons)	1.125	20
Type 4	40 seats or above (including 40 seats)		0.90	20
		Between 10 tons and 15 tons (including 15 tons) 20 foot container	1.35	30
Type 5		Above 15 tons 40 foot container	1.575	30

Toll rates of New Tianchang Section of National Trunk 205

Type of Vehicles	Toll Rates
Motor bicycles and tricycles	RMB3 per vehicle
Small tractors (including manual tractors) and other four-wheeled small and simple mechanical vehicles	RMB5 per vehicle
Passenger wagons below 20 seats	RMB10 per vehicle
Passenger wagons between 20 and 50 seats (including 50 seats)	RMB15 per vehicle
Passenger wagons over 50 seats	RMB25 per vehicle

III. Toll rates applicable to goods vehicles with reference to their weight

Toll rates applicable to goods vehicles with reference to their weight (non-overloaded vehicles)

1. ***Toll rates applicable to goods vehicles with reference to their weight on expressways (Ninghuai Expressway Tianchang Section excluded)***

Gross weight of goods vehicle	≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle ≤ 40 tonnes	> 40 tonnes
Basic toll rate	RMB0.08/tonnes for every km	RMB0.08/tonnes for every km and will be linearly reduced to RMB0.043/tonnes for every km	RMB0.043/tonnes for every km

Notes: 1. Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale
2. If the toll chargeable is less than RMB20, RMB20 shall be charged
3. The toll charges less than RMB2.5 will be rounded down, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

2. ***Toll rates applicable to goods vehicles with reference to their weight of Ninghuai Expressway Tianchang Section***

Vehicles type	Gross weight of goods vehicle ≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle ≤ 40 tonnes	Gross weight of goods vehicle > 40 tonnes	
Toll rates applicable to goods vehicles with reference to their weight on expressways: 1. Basic toll rate RMB0.09/tonnes for every km 2.Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale 3.If the toll chargeable is less than RMB20, RMB20 shall be charged	RMB0.09/tonnes for every km	RMB0.09/tonnes for every km and will be linearly reduced to RMB0.04/tonnes for every km	RMB0.04/tonnes for every km	The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51- RMB9.99 will be rounded up to the nearest RMB10.

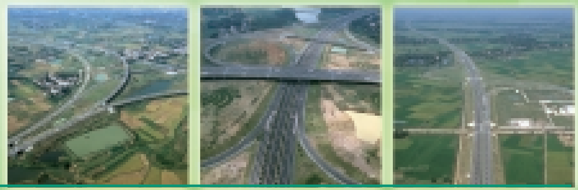
3. ***Toll rates applicable to goods vehicles with reference to their weight of New Tianchang Section of National Trunk 205***

Gross weight of goods vehicle	≤ 10 tonnes	10 tonnes < Gross weight of goods vehicle ≤ 40 tonnes	> 40 tonnes
Basic toll rate	RMB1.5/ton vehicle	RMB1.5/ton vehicle and will be linearly reduced to RMB1.1/ ton vehicle	RMB1.1/ton vehicle

Notes: 1. If the toll chargeable is less than RMB10, RMB10 shall be charged
2. The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

Extra tolls to be imposed on overloaded goods vehicles (Ninghuai Expressway Tianchang Section excluded):

1. Excess is less than 30% (including 30%)	2. Excess is between 30% and 50% (including 50%)	3. Excess is between 50% and 100% (including 100%)	4. Excess is over 100%	If the weight of the vehicle and the cargo is over the loading limit of the total mass and the vehicle's shaft, the higher overloaded rate will be collected.
Toll applicable to normal goods vehicles as per the weight	The first 30% will be subject to a toll applicable to normal goods vehicles as per the weight			
	The remaining balance will be subject to a toll equivalent to 1.5 times of the basic rate.	The remaining balance will be subject to a toll equivalent to 2 times of the basic rate.	The remaining balance will be subject to a toll equivalent to 3 times of the basic rate.	



Extra tolls imposed on overloaded goods vehicles on Ninghuai Expressway Tianchang Section (effective from 24:00 28 February 2009):

1. Overweight within 30% (including 30%), adjusted toll rate is RMB0.09/tonne per Kilometer.

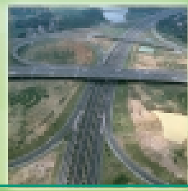
2. Overweight between 30% and 100% (including 100%), adjusted toll rate is between 3 times of RMB0.09/tonne per kilometer and increased linearly to 6 times of RMB0.09/tonne per kilometer.

3. Overweight more than 100%, adjusted toll rate is 6 times of RMB0.09/tonne per kilometer.

Original extra toll rates imposed on overloaded goods vehicles on Ninghuai Expressway Tianchang Section:

1. goods vehicle with standard weight and overweight is less than 30% (including 30%)	2. goods vehicle with overweight between 30% and 50% (including 50%)	3. goods vehicle with overweight between 50% and 100% (including 100%)	4. goods vehicle with overweight over 100%	If the weight of the goods vehicle and the cargo are over the loading limit of the total mass (46 tons) and the limit of vehicle's shaft, subject to higher overlimit rate
Toll applicable to normal Subject to toll applicable to normal goods vehicles regarding its weight	Standard weight and the first 30% overweight will be subject to a toll applicable to normal goods vehicles regarding its weight			
	The remaining balance will be subject to a toll equivalent to 2 times of its basic rate	The remaining balance will be subject to a toll equivalent to 3 times of the basic rate	The remaining balance will be subject to a toll equivalent to 4 times of the basic rate	

National Trunk Highways


The Map of the Highway Network of Anhui Province

Anhui Expressway Company Limited