Sichuan Expressway Company Limited

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

(Stock Code: 00107)

Annual Report 2009

CONTENTS

IMPORTANT NOTICE

It is hereby confirmed by the board of directors (the "Board") of the Company and its directors that this annual report contains no false representation, misleading information or material omission. The Board of the Company severally and jointly accepts full responsibility for the truthfulness, accuracy and completeness of the contents of this annual report.

Mr. Tang Yong, Chairman of the Company, Mr. Zhang Zhiying, Vice-Chairman and General Manager, Mr. Li Guogang, Chief Financial Controller have declared that they confirm the truthfulness and completeness of the financial statements in the annual report.

Definitions

I. Name of Expressway Projects

Chengyu Expressway	Chengyu (Chengdu-Chongqing) Expressway (Sichuan Section)
Chengya Expressway	Sichuan Chengya (Chengdu-Ya'an) Expressway
Chengle Expressway	Sichuan Chengle (Chengdu-Leshan) Expressway
Chengbei Exit Expressway	Chengdu Chengbei Exit Expressway
Airport Expressway	Chengdu Airport Expressway
Chengren Expressway	Chengdu-Meishan (Renshou) Section of Sichuan ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway
Suiyu Expressway	Suiyu (Suining-Chongqing) Expressway
Chengnan Expressway	Sichuan Chengnan (Chengdu-Nanchong) Expressway

II. Subsidiaries, Branches and Invested Companies

Shusha Company	Sichuan Shusha Enterprise Company Limited
Shugong Company	Sichuan Shugong Expressway Engineering Company Limited
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengle Company	Sichuan Chengle Expressway Company Limited
Chengbei Company	Chengdu Chengbei Exit Expressway Company Limited
Airport Expressway Company	Chengdu Airport Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch

III. Others

the Company	Sichuan Expressway Company Limited
the Group	the Company and its subsidiaries
A Share(s)	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in HK$ and listed on the main board of the Stock Exchange
Sichuan Highway Development	Sichuan Highway Development Holding Company, the controlling shareholder of the Company
Huajian Centre	Huajian Transportation Economic Development Centre, a substantial shareholder of the Company
PRC	the People's Republic of China
SSF	National Council for Social Security Fund, a shareholder of the Company
CSRC	China Securities Regulatory Commission
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Year or Reporting Period	the 12 months ended 31 December 2009

Statutory Chinese and English Names of the Company

四川成渝高速公路股份有限公司
Sichuan Expressway Company Limited

Legal Representative

Tang Yong

Company Website

http://www.cygs.com

Company's Registered Address & Office Address

252 Wuhouci Da Jie, Chengdu, Sichuan Province,
the People's Republic of China

Postal Code

610041

Secretary to the Board

Zhang Yongnian

Tel

(8628) 8552 7510

Representative of Securities Affairs

Zhang Hua

Tel

(8628) 8552 7510

Fax

(8628) 8553 0753

Investors' Hotline

(8628) 8552 7510/8552 7526

E-mail

cygszh@163.com

Contact Address

252 Wuhouci Da Jie, Chengdu, Sichuan Province,
the People's Republic of China

Place of Listing Shares

A Shares: Shanghai Stock Exchange
Stock Code: 601107
Stock Name: Sichuan Express

H Shares: The Stock Exchange of Hong Kong Limited
Stock Code: 00107
Stock Name: Sichuan Express

Newspapers Designated by the Company for Information Disclosure

China Securities Journal, Shanghai Securities Journal

Designated Publication Websites

http://www.sse.com.cn
http://www.hkex.com.hk
http://cygs.wsfg.hk
http://www.cygs.com

Place for Inspection of the Annual Report

PRC:	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the People's Republic of China
Hong Kong:	Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong

International Auditor
Ernst & Young Certified Public Accountants
18/F, Two International Finance Centre,
8 Finance Street, Central, Hong Kong

Domestic Auditor
Shinewing Certified Public Accountants
9/F, Block A, Fu Hua Mansion,
No.8 Chao Yang Men Bei Da Jie,
Dong Cheng District, Beijing

Hong Kong Legal Adviser
Messrs. Li & Partners
22/F, World-Wide House,
19 Des Voeux Road Central, Central, Hong Kong

PRC Legal Adviser
Zhong Yin Law Firm
16/F, Anlian Plaza, Building 3,
Beijing International Center,
No. 38 North Road Dongsanhuan Road,
Chaoyang District, Beijing, the PRC

Domestic Share Registrar and Transfer Office
China Securities Depository and Clearing Corporation
Limited Shanghai Branch
36/F China Insurance Building,
No.166 Lujiazui East Road, Pudong, Shanghai

Hong Kong Share Registrar and Transfer Office
Hong Kong Registrars Limited
Shops 1712-1716, 17th Floor, Hopewell Centre,
183 Queen's Road East, Wanchai, Hong Kong

Principal Place of Business in Hong Kong
Rooms 2201-2203, 22/F, World-Wide House,
19 Des Voeux Road Central, Central, Hong Kong

Initial Registration Date and Place
19 August 1997/Chengdu, Sichuan Province, the PRC

Latest Date of Registration Update
22 October 2009

Registration Number of Business Licence
510000400003856

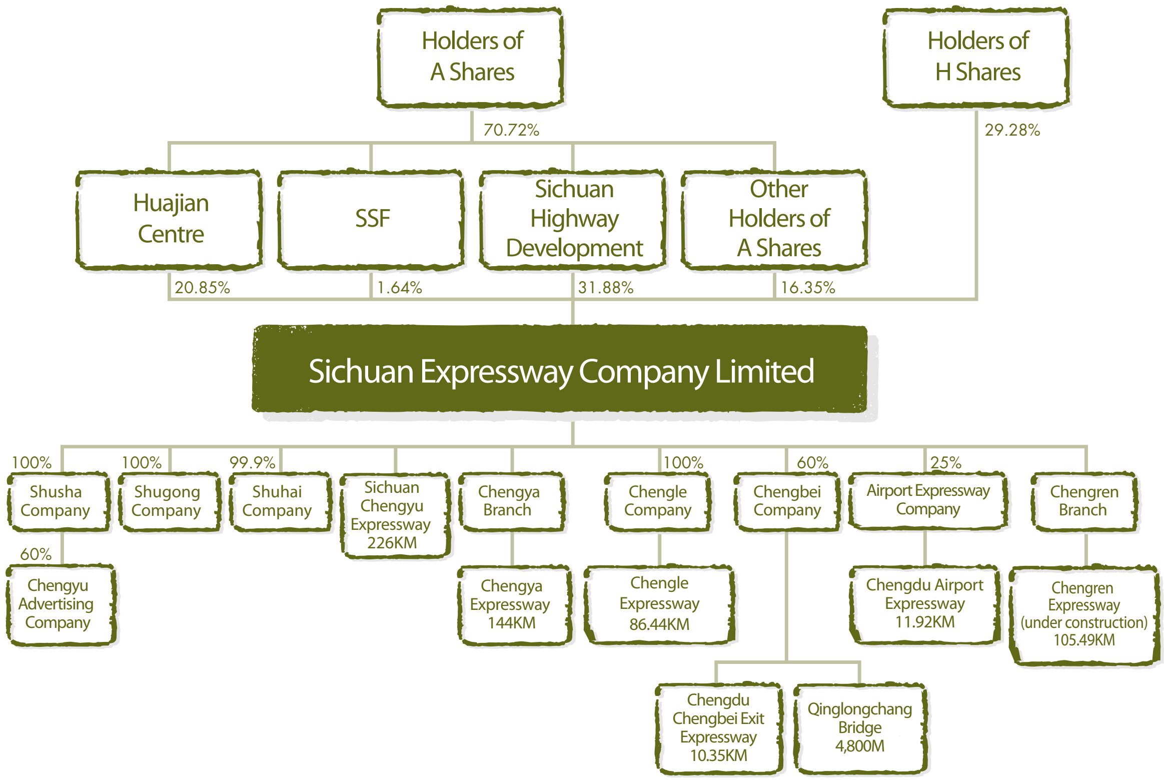
Tax Registration Number
Chuan Guo Shui Zhi Zi No. 51010720189926X
Chuan Shui Zi No. 519020189926X

Organization Code
20189926-X

Principal Banker
China Construction Bank

The Company was incorporated in Sichuan Province of the PRC on 19 August 1997. The Company was listed on the main board of the Stock Exchange on 7 October 1997 and on the SSE on 27 July 2009, respectively. The Company is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads. The Company mainly owns all or substantially all interests in a number of toll roads in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressways. As at 31 December 2009, the length of the expressways owned by the Company has reached approximately 467km in total, representing a total asset of approximately RMB10,605,777,000.

As at 31 December 2009, the total number of shares of the Company was 3,058,060,000 shares (comprised 895,320,000 H Shares and 2,162,740,000 A Shares). The shareholdings and asset structure of the Company were as follows:



Expressway Network in Sichuan Province

Tang Yong

Chairman

Dear Shareholders,

On behalf of the Board, I am pleased to report to the shareholders. In 2009, supported by the macro-economic recovery and a more stabilizing operating environment, the Group strengthened and improved the operation and management of its existing assets to ensure and enhance its operating performance, thus successfully recording a substantial growth in operating results. Meanwhile, the Group's development strategy and operational tactics had been effectively and consistently implemented. The Group had made remarkable progress in business expansion, business management, capital operation and corporate governance, all laying solid foundation for further investment and opening new vista of corporate development.

2009 Annual Results and Dividends

During the Year, the revenue of the Group amounted to RMB1,878,814,000, representing an increase of 16.67% as compared with last year. The profit attributable to the owners of the Company increased significantly to RMB827,475,000, representing an increase of 39.86% as compared with last year. Earnings per share was RMB0.299 (2008: RMB0.231).

In order to express our gratitude to the shareholders for their long-term support to the Group, on 23 January 2009, the Board resolved that within three years after the A Share Issue, no less than 40% of profit distributable for the underlying year realized by the parent company would be paid to the shareholders as cash dividend. This resolution was considered and approved at the 2008 annual general meeting on 15 April 2009.

The Board has recommended a final cash dividend for 2009 of RMB0.064 per share (tax inclusive), aggregating to approximately RMB196 million and representing 40.77% of the distributable profit for shareholders of the Company for the Year.

Review

In 2009, amid severe impact from the once-in-a-century global financial tsunami and the complicated domestic and overseas environment, China struggled its way in the crisis along with other major economies in the world. But China was distinguished as the first one that stepped out of the dilemma, picked up steadfast recovery and eventually reaped an overall optimistic national economy with the aid of the economic stimulus package adopted by the Central Government featured by the RMB4 trillion investments. According to preliminary estimates, China's GDP amounted to RMB33,535.3 billion in 2009, an increase of 8.7% from last year based on comparable prices. The economy of Sichuan Province also demonstrated a trend of recovery and acceleration, with GDP of the whole province amounting to RMB1,415.13 billion, an increase of 14.5% from 2008, and 5.8 percentage points higher than the country's increase.

In 2009, Sichuan made breakthrough in its transportation constructions. Investment of the whole province in transportation construction amounted to RMB55.3 billion during the Year, an unprecedented increase of 64.7% from last year which was much higher than the national average. During the Year, expressways with a total length of up to 2,240km were opened for traffic in Sichuan Province, and those with a total length of up to 1,383km commenced construction. At present, expressways under construction in the Province reaches 3,020km in length, with a total investment of over RMB200 billion. The length of expressways under construction ranks 2nd in China, moving up from 11th two years ago. The total length of expressways completed and under construction amounts to 5,260km, ranking 5th, moving up from 12th two years ago.

In 2009, the Group actively participated in the post-disaster reconstruction and the construction of the western-China traffic pivot in Sichuan. During the Year, the Group on one hand put much importance to investment and financing so as to expand its asset size and pick up the pace of development, and on the other hand ensured and improved its operating benefits by strengthening and optimising operation and management of its existing assets. During the Year, the Company won the bid for the Chengren Expressway BOT project with a length of approximately 105km and an estimated total investment of approximately RMB7.5 billion. This project has been progressing smoothly since the construction commenced in late August 2009. As of 31 December 2009, a total of approximately RMB360 million was invested for this project. The Company is determined to build it into an economical project with high-yield and premium quality. In late June 2009, the Company completed acquisition of 100% equity of Chengle Company, which further upgraded asset scale of the Group and enlarged its revenue base. On 27 July 2009, A Shares of the Company were listed and traded on the SSE, making it the first large-cap stock listed on the main board since the reactivation of China's IPO market in 2009. The A+H model set up a broad capital platform for the Group. In addition, on 27 November 2009, the Company issued RMB2 billion short-term commercial papers at an annual interest rate of 3.49%, saving finance costs of approximately RMB36 million for the Group every year as compared with loans of the same duration. These financing and investment activities laid a solid foundation for the Group in respect of the asset expansion, optimizing investment and financing structure, enhancing financing strength and facilitating a sustainable, healthy and rapid growth.

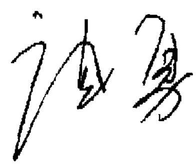
Prospects and Strategy

Looking forward into 2010, based on our objective analysis and judgment on current economic environment and industry development trends, we believe hopes coexist with difficulties and opportunities coexist with challenges. First, viewing as a whole, China is in a stage of rapid development in industrialization and urbanization with a huge domestic market, extensive investment potentials, a healthy economy, sound financial system and improving macro-control. China's economy is expected to maintain a steadfast and relatively rapid growth in 2010, which will continue to be the fundamental momentum for transportation demand. Second, the State is currently proceeding with western China development scheme. Second, transportation construction in Sichuan Province would receive an unprecedented opportunity, with support given to post-disaster reconstruction in Sichuan and a series of stimulus policies and measures adopted by the State aiming at expanding domestic demand and boosting economic growth. Third, in order to seize opportunity and accelerate development, the Party Committee and provincial government of Sichuan nailed down a strategic positioning of building economic highland as well as the strategic deployment toward constructing a traffic pivot in western China in 2009. In light of such deployment and with the support from the Ministry of Transport of PRC, Sichuan Transport Bureau issued the Sichuan Expressway Network Plan (2008-2030) in Mrach 2009, specifying the following objectives of expressway construction in Sichuan: (1) length of completed expressway open for traffic is shot at over 3,800km, so as to be fully connected to the national expressway network by 2012; (2) the length of completed expressway open for traffic is shot at over 8,200km so that the whole provincial expressway network could basically take shape by 2020; and (3) the length of planned expressway will reach 8,600km with a total investment of approximately RMB600 billion in the province by 2030. As the implementation of the Plan advances, we will see a western-China traffic pivot connecting to all directions and with access to Yangtze River and the sea taking its shape in Sichuan Province, making a strong support for building Sichuan into an economic highland in western China. Last, most of the expressways owned by the Group are national trunk roads of supreme quality and strong resistance to risks. Therefore, the Group is confident in the long-term growth of toll expressway industry.

Meanwhile, the Group is also facing various difficulties and uncertainties such as the extent of reflection of impact from global economic recession on China's economy, re-allocation of traffic flow due to road network expansion, and the distraction effect imposed by the development of other transportation sectors such as railway and aviation.

Encountering a mix of opportunities and challenges, the Group will continue to adopt a prudent, stable and positive strategy in the future. On one hand, it aspires to ensure a continuous steadfast growth in operating results through refined management. On the other hand, it will vigorously identify and seize opportunities to acquire additional quality expressway projects through leveraging on its advantages. In addition, the Group will strive to rigorously control its finance risk and reduce finance costs through broadening financing channels, with an aim to ensuring sufficient cash flow and financial resources to meet its liabilities and support its business expansion, so as to safeguard the healthy development of the Group. As always, we are determined to approach with big strides our established strategic goal -- building the Group into a large-scale infrastructure group with distinguishing principal business, steadfast operation, sound corporate governance system and excellent management.

Lastly, on behalf of the Board, I would like to take this opportunity to express my sincere gratitude to all investors, clients, business partners and the public for the support and faith you have extended to us, and my appreciation and thanks also go to our directors, supervisors, the management and staff for your intelligent and dedicated work during the past year.

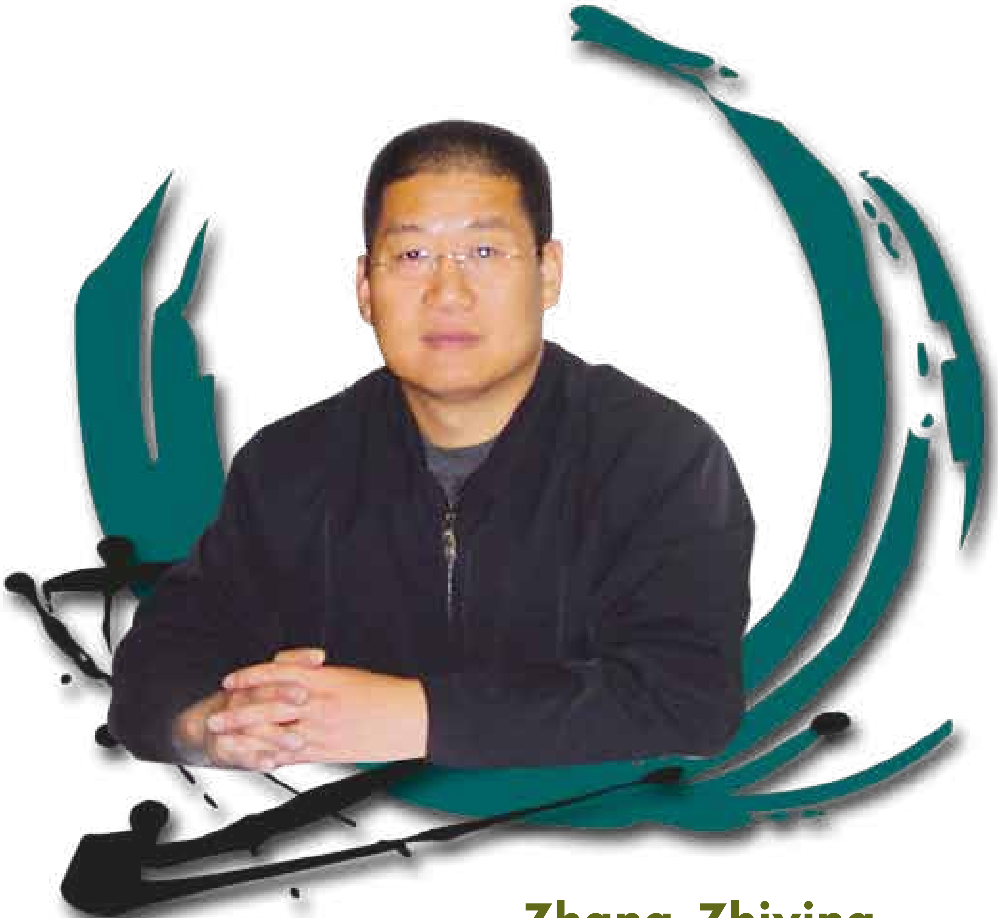


Tang Yong
Chairman

Chengdu, Sichuan, the PRC
9 March 2010

I. Analysis of Business Environment

As economic development is a key factor to the growth of traffic demand and the toll roads currently operated by the Group are all located in Sichuan Province, the operating performance of road projects of the Group is thus closely related with the economic development level of Sichuan and nearby provinces, cities and the regions along the expressways of the Group.



Zhang Zhiying

Vice Chairman, General Manager

According to preliminary figures, Sichuan's GDP in 2009 amounted to RMB1,415.13 billion, representing an increase of 14.5% over last year based on comparable prices, ranked 9th in GDP volume and 4th in GDP growth in China respectively. The GDP per capita surpassed RMB17,000 for the first time to reach RMB17,339, representing an increase of RMB1,844 or 14% over last year. Total retail sales of social consumer products amounted to RMB575.869 billion in Sichuan Province, representing an increase of 20.0% over last year, over 4.5 percentage points higher than the nation's average for the same period. In particular, car consumption increased significantly by 40%, far above the nation's average.

II. Business Review and Analysis

1. Results overview

The earnings of the Group were mainly derived from the operation and investment of toll roads. As at the end of the Reporting Period, the Group mainly operated 4 toll expressways, namely Chengyu Expressway, Chengya Expressway, Chengbei Exit Expressway, and Chengle Expressway newly acquired during the Year, with a total length of approximately 467km.

During the Year, the revenue of the Group amounted to RMB1,878,814,000 (2008: RMB1,610,309,000), representing an increase of 16.67% over the same period last year. The profit attributable to owners of the Company amounted to RMB827,475,000 (2008: RMB591,660,000), representing an increase of 39.86% over the same period last year. Basic earnings per share was RMB0.299 (2008: RMB0.231).

As at 31 December 2009, the total assets and the net assets of the Group reached approximately RMB10,605,777,000 and approximately RMB7,445,690,000 respectively.

2. Operating conditions of the Group's principal operations

Operating results of the Company and its major branch and subsidiaries

Item	Toll income for 2009 *(RMB'000)*	Percentage in the total toll income *(%)*	Toll income for 2008 *(RMB'000)*	Percentage in the total toll income *(%)*	Profit for 2009 *(RMB'000)*	Year-on-year increase/ decrease in profit for 2009 *(%)*
The Company *(Note 1)*	960,431	49.54	843,929	50.79	487,637	15.11
Chengya Branch *(Note 2)*	550,735	28.41	469,318	28.24	207,533	75.98
Chengle Company *(Note 3)*	340,665	17.57	272,481	16.40	116,323	144.60
Chengbei Company *(Note 4)*	86,951	4.48	75,902	4.57	24,106	75.64
Total	1,938,782	100	1,661,630	100	835,599	38.61

Notes:

1. For the purpose of this table only, the Company does not include Chengya Branch. The Company is responsible for the operation and management of Chengyu Expressway. Its profit for the Year includes its share of profit and loss of its associated company;

2. Chengya Branch, a branch company of the Company, is responsible for the operation and management of Chengya Expressway. The profit of Chengya Branch for 2009, on which the corporate income tax was deducted according to a 15% tax rate, includes its share of profit and loss of its associated company;

3. Chengle Company, a wholly owned subsidiary of the Company, is responsible for the operation and management of Chengle Expressway;

4. Chengbei Company, a subsidiary of the Company, is responsible for the operation and management of Chengbei Exit Expressway and Qinglongchang Bridge. The toll income of Chengbei Company was the aggregate amount of the toll incomes of Qinglongchang Bridge and Chengbei Exit Expressway. Its profit for the Year includes its share of profit and loss of its associated company.

Operating performance of major expressways of the Group:

		Converted average daily traffic flow for a journey *(vehicle)*			**Toll income** *(RMB'000)*		
Item	Shareholding percentage	**2009**	2008	Increase/ (decrease) *(%)*	**2009**	2008	Increase/ (decrease) *(%)*
Chengyu Expressway	100%	**19,035**	15,289	24.50	**960,431**	843,929	13.80
Chengya Expressway	100%	**14,455**	13,151	9.92	**550,735**	469,318	17.35
Chengle Expressway	100%	**20,525**	15,442	32.92	**340,665**	272,481	25.02
Chengbei Exit Expressway (including Qinglongchang Bridge)	60%	**29,968**	24,244	23.61	**86,951**	75,902	14.56

During the Reporting Period, each of the Group's expressways recorded a significant growth in terms of traffic flow and toll income, driving the overall operating results of the Group up. The major factors affecting the operational performance of the Group's expressways during the Year are as follows:

(a) In 2009, with the implementation of the Central Government's stimulus package for "expanding domestic demand, maintaining economic growth and adjusting economic structure" as well as the efforts to promote post-disaster reconstruction, Sichuan's economy recovered at a faster pace during the first half of the Year while major industries experienced an overall recovery, and the momentum of economic growth was further consolidated in the second half. The provincial economy, therefore, recorded steadfast growth for the Year, which drove operating results of the Group's expressways to rebound;

(b) As the consumption hub of economy cars and due to its landlocked location, Sichuan Province suffered relatively less from the financial crisis as compared with the coastal areas. As such, the spending habits of consumers were not suppressed as much. Especially, following the introduction of favourable policies by the State such as 50-percent cut in fuel tax and consumption tax, Sichuan Province witnessed a surge in car consumption by over 40% in 2009, ranking second in terms of growth rate in the country. Such consumption characteristic had put the Group's business in an advantageous position and drove potential growth;

(c) In 2008, Sichuan Province had been consecutively struck by the snow storm and the mega earthquake, which, to a certain extent, affected the operating efficiency of the Group's expressways in 2008;

(d) In 2009, gratis pass-through of disaster relief vehicles decreased dramatically while post-disaster reconstruction projects were fully launched, boosting the demand for Sichuan highway transportation. As the trunk highways in Sichuan, the Group's expressways played a key role in the post-disaster reconstruction of Sichuan Province, which promoted the operation of the Group's expressways;

(e) With the rapid economic growth and accelerating post-disaster reconstruction in Sichuan, Sichuan's tourism industry saw a full recovery in 2009, which gave a push to the growth of traffic flow;

(f) Pursuant to the "Approval on guidelines for dealing with matters concerning cancellation of toll concessions for the overweight portion of vehicles tolled by weight" (《關於對取消計重收費車輛超限部分通行費優惠有關事項處理原則的批覆》) issued by Sichuan Highway Development, commencing from 15 October 2009, all expressways in Sichuan Province had cancelled the preferential toll collection policy for the overweight portion (the total weight of a vehicle and a cargo minus the applicable standard load-bearing capacity for such vehicle and cargo) of loaded vehicles, that says, the toll for the overweight portion is calculated at normal basic rates without the 20% preferential toll cut. However, during the trial period of toll-by-weight on expressways (scheduled to end on 30 September 2010), the 20% toll cut preferential policy to normally loaded vehicles will continue to be effective;

(g) Meanwhile, the Group put more efforts in operation and management of its expressways. By strengthening research on road network, improving traffic organization plans, ensuring road operation order, enhancing toll collection inspection and controlling operating cost, the Group effectively improved its overall profitability.

The operating performance of the Group's expressways was also affected either positively or negatively by the changes of circumjacent competing or cooperative road network as well as the maintenance and repairing work conducted for circumjacent roads. During the Reporting Period, the following expressways were affected to various extents by these factors:

Chengyu Expressway: the operation of Suiyu Expressway which commenced on 1 January 2008 diverted the direct traffic flow between Chengdu and Chongqing on Chengyu Expressway, which accounted for approximately 10% in terms of toll income of Chengyu Expressway. However, the impact from such diversion had been stabilized in the same year when the Suiyu Expressway commenced to operate.

Chengle Expressway: the old Jiajiang section was closed for construction works during the period commencing from 20 March 2009 to 7 October 2009, which prompted certain vehicles to use Chengle Expressway instead. Furthermore, during that construction period, certain vehicles traveling back and forth Jiajiang City had to detour via Mianzhu City and Leshan City which led to more mileage for Chengle Expressway. In addition, the reconstruction of Qingyijiang Bridge which forms part of the old Jiajiang-E'mei section was not completed and reopened until 9 November 2009, which prompted certain vehicles traveling back and forth E'mei to detour via Leshan City during the construction period, which also increased the traffic flow for Chengle Expressway.

Chengbei Exit Expressway: since 18 October 2009, the Dajian section of Chuanshan Highway commenced reconstruction work with the road partially closed. The construction period is expected to last for 10 months, which will lead to increased traffic flow for Chengbei Exit Expressway during such period.

3. Other Businesses

In 2009, the Company recorded RMB605,028,000 of other income and gains (other than those from operation of toll roads), representing an increase of 129.01% over the previous year. Other business of the Company during the Year was mainly conducted by Chengren Branch and three subsidiaries of the Company, namely Shusha Company, Shugong Company and Shuhai Company. The operating results of them were set out as follows:

During the Year, Shusha Company's revenue from operations was approximately RMB13,068,000, and profit was approximately RMB2,265,000, representing an increase of 5.91% and a decrease of 6.87% respectively as compared to last year. Shugong Company's revenue from operations was approximately RMB285,643,000, and profit was approximately RMB7,362,000, representing an increase of 95.77% and 604.50% respectively as compared to last year. Shuhai Company, as an investment management company focusing on investment in infrastructure projects, is currently concentrating on the research, investigation and study regarding quality expressways and other transportation infrastructures within Sichuan Province. No material investments were made by Shuhai Company in the Year. Chengren Branch recorded a contractual revenue of RMB356,858,000 for the construction of Chengren Expressway (as defined below).

4. Project Investment and Financing

(1) Investments

- **Acquisition of 100% equity interests in Chengle Company**

  On 26 September 2007, Sichuan Highway Development and Xing Yuan Company (both being the then equity holders of Chengle Company and as vendors) and the Company (as buyer) entered into a sale and purchase agreement in relation to the transfer of 100% equity interests in Chengle Company. The said agreement was approved by the independent shareholders at the extraordinary general meeting held on 12 December 2007 (the "**First EGM**"). On 2 April 2009, the Company entered into a supplemental agreement (the "**Supplemental Agreement**") with the vendors to amend certain terms of the sale and purchase agreement. The Supplemental Agreement was subsequently approved by the independent shareholders at the extraordinary general meeting held on 8 June 2009 (the "**Second EGM**"). Pursuant to the Supplemental Agreement, the remaining balance of the consideration in the amount of RMB998,320,800 was paid to the vendors by the Company within 30 working days from the day the approval from the independent shareholders was obtained at the Second EGM (RMB100,000,000 had been prepaid by the Company to the vendors upon the obtaining of the approval from the independent shareholders at the First EGM). The acquisition of 100% equity interests in Chengle Company was completed on 23 June 2009.

The Company is optimistic about the business prospects of Chengle Expressway and believes that the acquisition helps to further enhance the Group's asset scale and expand its profit base, which is in line with the Group's sustainable development strategy.

- **Investment in and construction of Chengren Expressway**

At the Company's third extraordinary general meeting of 2009 held on 15 July 2009, resolutions were passed to approve the investment in and the construction of Chengren Expressway.

The total length of Chengren Expressway is approximately 105.486km, commencing from Chengdu Ring Expressway (K34+600) and ending at Zhichanggou at the boundary of Renshou County, Meishan and Weiyuan County, Neijiang. The total investment budget for the construction of Chengren Expressway is approximately RMB7.5 billion (the total investment budget was provided by the joint tender organisers, and there is no assurance that the official total investment amount, which will be prepared and submitted to the relevant governmental authorities for approval in due course, will be the same). Chengren Branch was set up by the Company, as a project entity, to develop Chengren Expressway, and operate and manage Chengren Expressway upon completion of construction. The period of operation for Chengren Expressway will last for 29 years and 300 days from the first day for collection of toll income of the section. The operation of Chengren Expressway is expected to commence around the end of 2012.

Chengren Expressway is the commencing section of Chengdu – Zigong – Luzhou – Chishui Expressway when departing from Chengdu City. Chengdu – Zigong – Luzhou – Chishui Expressway, being a major component of the expressway network planning in Sichuan Province, makes up the backbone network of expressways in Southwest China together with Neijiang-Yibin Expressway (trunk line of national highways) and Longchang-Naxi Expressway (southwest channel to the seaside). Moreover, it is located in the southern area of Sichuan Province where a cluster of cities nestles, and it connects Chengdu City (provincial capital of Sichuan Province) with other major cities such as Zigong and Luzhou in the province and directly links to Guizhou Province. Most regions along its route are densely populated areas with strong economic fundamentals and huge development potential in Sichuan Province. Luzhou City, in particular, ranks as one of the major inner river terminals and the ports for water transport in the PRC and Sichuan Province. Therefore, Chengdu – Zigong – Luzhou – Chishui Expressway, which connects major cities in the province and spans across Sichuan Province and Guizhou Province, will become an important transportation channel in Sichuan Province, with access to Yangtze River and the sea. Furthermore, Chengren Expressway is also a shared part of Chengdu-Renshou-Jiangyan-Jianwei-Muchuan-Yunnan Expressway according to the expressway network planning of Sichuan Province.

Through participating in the investment in and construction of Chengren Expressway, the Company envisages to further consolidate the business position of the Company in the investment, management and operation of expressways in Sichuan Province and western China, and boost the core competitiveness of the Company, so as to enhance its sustainable development ability.

- **Potential acquisition of the Sichuan section of Suiyu Expressway and Chengnan Expressway**

On 20 March 2008, the Company entered into the non-legally binding intentional agreement regarding an asset acquisition of Sichuan section of Suiyu Expressway and relevant matters with Sichuan Chengnan Expressway Company Limited ("**Chengnan Company**") and the controlling shareholder of Chengnan Company, Sichuan Highway Development. In addition, on 9 May 2008, the Company entered into the non-legally binding intentional agreement regarding an asset acquisition of Chengnan Expressway with Sichuan Highway Development and Chengnan Company. Parties to these intentional agreements intended to complete the proposed acquisition contemplated thereunder before 31 December 2009. However, the proposed acquisition has been postponed due to the pending land disposals of Chengnan Company. As at 31 December 2009, the Company has completed the selection of intermediaries in relation to this proposed acquisition, and Chengnan Company has completed most of its pre-acquisition work (such as sorting out its assets).

(2) Financing activities of the Company

- **A Share Issue**

On 27 July 2009, the Company's A Shares were listed on the Shanghai Stock Exchange following the approval granted by the Shanghai Stock Exchange on 23 July 2009. The Company issued a total of 500,000,000 A Shares at an issue price of RMB3.60 per share and raised net proceeds of approximately RMB1,740,000,000 from the A Share Issue.

Upon completion of the A Share Issue, the total number of shares of the Company increased to 3,058,060,000 shares (comprising 895,320,000 H Shares and 2,162,740,000 A Shares).

Pursuant to the resolutions passed at the 18th meeting of the fourth session of the Board of the Company and the 2nd extraordinary general meeting of 2009 of the Company, the Company applied RMB1,098,320,800.00 out of the net proceeds from the A Share Issue to replace the fund self-financed by the Company for acquiring 99.18% and 0.82% equity interests in Chengle Company held by Sichuan Highway Development and Xing Yuan Company respectively. The remaining proceeds of RMB642,683,012.73 were used to repay part of the bank loans owed by Chengle Company.

- **Issue of Short-Term Commercial Papers**

At the general meeting of the Company on 28 August 2007, resolutions were passed to approve the proposed issue of short-term commercial papers with a total amount not exceeding RMB2 billion per annum for a term of three years. The Company successfully issued short-term commercial papers with a total amount of RMB1.5 billion on 19 February 2008, which were fully repaid by the Company on 19 February 2009. On 27 November 2009, the Company further issued short-term commercial papers with a total amount of RMB2 billion at an annual rate of 3.49%, which resulted in a decrease of approximately RMB36,000,000 per year in finance costs as compared with that for the loan with the same term.

5. Continuing Connected Transactions

On 6 March 2008, the Company entered into a service agreement (the "**Chengyu & Chengya Service Agreement**") with Sichuan Zhineng Transportation System Management Company(四川智能交通系統管理有限責任公司)("**Sichuan Zhineng**") in relation to the provision of a computer system on expressways network toll fee collection and technological services to the expressways wholly owned by the Company, namely, Chengyu Expressway and Chengya Expressway. Sichuan Zhineng is a subsidiary of Sichuan Highway Development (the controlling shareholder of the Company). On the same date, Chengbei Company (a subsidiary of the Company) and Sichuan Zhineng entered into a service agreement (the "**Chengbei Service Agreement**") in relation to the provision of a computer system on expressways network toll fee collection and technological services to Chengbei Exit Expressway, an expressway wholly owned by Chengbei Company. According to the Listing Rules, entering into each of the Chengyu & Chengya Service Agreement and Chengbei Service Agreement constituted the continuing connected transaction of the Company, which were subject to the reporting and announcement requirement but were exempt from the independent shareholders' approval requirement.

The annual caps for the service fees payable under the Chengyu & Chengya Service Agreement and the Chengbei Service Agreement for the three years ended 31 December 2008, 31 December 2009 and 31 December 2010 was approximately RMB9,270,000, RMB10,540,000 and RMB12,000,000 respectively.

III. Financial Review and Analysis

Summary of the Group's Results

	2009	2008
	RMB'000	*RMB'000*
		(Restated)
Revenue	**1,878,814**	1,610,309
Including: toll income	**1,878,814**	1,610,309
Profit before tax	**986,046**	701,849
Profit attributable to owners of the Company	**827,475**	591,660
Earnings per share attributable to owners of the Company *(RMB)*	**0.299**	0.231

Summary of the Group's Assets

	At 31 December 2009	At 31 December 2008
	RMB'000	*RMB'000*
		(Restated)
Total assets	**10,605,777**	9,834,361
Total liabilities	**3,160,087**	3,465,877
Minority interests	**103,573**	103,225
Equity attributable to owners of the Company	**7,342,117**	6,265,259
Equity per share attributable to owners of the Company *(RMB)*	**2.401**	2.449

Analysis of Operating Results

Revenue

The Group's revenue for the Year amounted to RMB1,878,814,000, representing an increase of 16.67% over the same period last year, which mainly included net toll incomes from Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway. Please refer to the section of "Business Review and Analysis" of this report for details of the main factors influencing the revenue of the Group for the Year.

Other Income and Gains

The Group's other income and gains for the Year amounted to RMB605,028,000, representing a year-on-year increase of 129.01%. This was mainly attributable to RMB356,858,000 of construction income (20008: nil) from the construction of Chengren Expressway commenced in the Year, which was recognized under the percentage-of-completion method, and an increase of approximately RMB38,805,000 in construction income of Shugong Company as a result of its increased sub-contracting works; however, such income increase was partially offset by a decrease of approximately RMB63,049,000 in the construction income of Chengyu Expressway, Chengya Expressway and Chengle Expressway for the Year.

Operating Expenses

The Group's operating expenses for the Year amounted to RMB1,362,348,000, representing a year-on-year increase of 41.86%, of which:

(1) Depreciation and amortization expenses increased by 3.04% from the previous year to RMB357,394,000, mainly attributable to the increase in service concession arrangements last year which led to an increase in amortization and a higher traffic flow which led to an increase in amortization for service concession arrangements as compared with last year; and a decrease in deprecation of fixed assets for the period as a result of certain fixed assets being fully depreciated in accordance with relevant policies.

(2) Staff cost increased by 10.23% from last year to RMB193,782,000. This was principally due to certain increase in total salary, various social insurances and accommodation fund paid in the period given the increase in average salary for the working population of Chengdu.

(3) Cost of repairs and maintenance increased by 45.35% from last year to RMB225,457,000, mainly due to an increase of approximately RMB31,616,000 in daily maintenance costs of the Group's roads and auxiliary facilities and a rise of approximately RMB38,735,000 in the construction costs of Shugong Company arising from its increased sub-contracting works.

(4) Other operating expenses increased by 107.27% from last year to RMB585,715,000. This was principally attributable to RMB356,858,000 of construction cost (2008: nil) for the construction of Chengren Expressway commenced in the Year, which was recognized under percentage-of-completion method; however, such cost increase was partially offset by a decrease of approximately RMB77,978,000 in the construction cost of Chengyu Expressway, Chengya Expressway and Chengle Expressway owning to their decreased construction works during the Year.

Finance Costs

The Group's finance costs for the Year amounted to RMB146,878,000, representing a decrease of 32.64% as compared with last year, principally attributable to (1) the lower interest rate per annum for the additional bank loans and the newly-issued short-term commercial papers of the Company as compared with last year; and (2) the repayment of approximately RMB1,000,000,000 of bank loans by Chengle Company on 31 July 2009 and lower annual interest rate for bank loans as compared with last year.

Taxation

The corporate income tax of the Group for the Year amounted to RMB148,475,000, representing an increase of approximately 42.40% as compared with 2008. This was mainly due to the growth in the Group's gross profit before tax for the Year.

Profit

The Group's profit for the Year amounted to RMB837,571,000, representing an increase of 40.16% as compared with last year. In particular, profit attributable to owners of the Company was RMB827,475,000, representing an increase of 39.86% as compared with last year. This was mainly due to:

(1) a significant growth in the Group's toll income over last year and a decrease in finance costs;

(2) such growth being partially offset by the increase in amortization for toll road operation rights, income tax and other operating expenses.

Analysis of Financial Position

Non-current Assets

As at 31 December 2009, the Group's non-current assets amounted to RMB8,733,734,000, representing an increase of 5.71% as compared with the end of 2008. The increase was mainly due to: RMB69,049,000 of additional fixed assets for the Year; an increase of RMB463,445,000 in service concession arrangements (including RMB107,127,000 for technological renovation projects of Chengyu Expressway and Chengya Expressway and RMB356,858,000 for construction project of Chengren Expressway); an increase of RMB399,095,000 in prepayment for construction of Chengren Expressway and a decrease of RMB100,000,000 in the prepayment resulting from the completion of acquisition of equity interests in Chengle Company; and RMB357,394,000 of depreciation and amortization for intangible assets.

Current Assets and Current Liabilities

As at 31 December 2009, the Group's current assets amounted to RMB1,872,043,000, representing an increase of 19.04% as compared with the end of 2008, which was mainly attributable to the increase in cash and bank balance as a result of increased revenue for the Year.

As at 31 December 2009, the Group's current liabilities amounted to RMB2,661,051,000, representing an increase of 38.75% as compared with the end of 2008, mainly attributable to an increase of RMB500,000,000 in the balance of short-term commercial papers as compared with the end of last year, and an increase of RMB262,510,000 in other payables of Chengren Branch as a result of the significant increase in performance guarantee from construction contractors with the commencement of construction of Chengren Expressway in the Year.

Non-current Liabilities

As at 31 December 2009, non-current liabilities of the Group amounted to RMB499,036,000, representing a decrease of 67.76% as compared with the end of 2008. The decrease was mainly attributable to the repayment of bank loan of approximately RMB1,000,000,000 by Chengle Company on 31 July 2009, and reclassification of certain long term interests bearing loans into bank loans and other interest bearing loans due within one year since such long term interests bearing loan will be due within one year at the end of the period.

Equity

As at 31 December 2009, equity of the Group amounted to RMB7,445,690,000, representing an increase of 16.91% as compared with the end of 2008, mainly attributable to: (1) the issue of 500,000,000 A Shares during the Year, which raised net proceeds of RMB1,741,004,000, and net profit of RMB837,571,000 recorded for the Year, which increased the equity; (2) the completion of acquisition of 100% equity interests in Chengle Company in the period, with RMB1,098,321,000 of cash consideration, and distribution of profit of RMB403,048,000 to shareholders in the Year, which decreased the equity.

Capital Structure

As at 31 December 2009, the Group had total assets of RMB10,605,777,000 and total liabilities of RMB3,160,087,000. The gearing ratio was 29.80% (2008: 35.24%), which was based on the Group's total liabilities over its total assets.

Cash Flow

As at 31 December 2009, the Group's cash and bank balances amounted to RMB1,805,762,000, including HK$33,000 (equivalent to RMB31,000) deposits in Hong Kong dollars, and RMB1,805,731,000 cash and deposits in Renminbi, representing an increase of RMB298,147,000 over the end of 2008 (31 December 2008: RMB1,507,615,000). During the Year, the Group's net cash inflow from operating activities amounted to RMB771,701,000 (2008: RMB928,692,000).

During the Year, the cash outflow of the Group mainly consists of: expenditures of RMB535,778,000 for daily operation and management, RMB177,626,000 for taxes, RMB107,127,000 for technical renovation projects of Chengyu Expressway and Chengya Expressway, RMB755,953,000 for construction of Chengren Expressway, RMB217,054,000 for interest payment, RMB403,186,000 for dividends payment (including dividends for minority shareholders and exchange gain or loss), and RMB998,321,000 of cash consideration for acquisition of equity interests in Chengle Company.

Capital Commitment

Details of the Group's capital commitment as at 31 December 2009 are set out in the note 29 to the financial statements.

Risk of Exchange Fluctuation

Save that the Company needs to purchase Hong Kong dollars to distribute dividends to holders of H Shares, all operating income and expenses and capital expenditures of the Group were denominated in Renminbi and thus the fluctuation in exchange rate does not have material impact on the Group's results.

In addition, the Group had not used any financial instrument for hedging purposes during the period.

Borrowings and Solvency

As at 31 December 2009, the Group's interest-bearing bank and other loans amounted to RMB2,597,363,000, all of which were loans with fixed interests. In particular, the balance of bank loans was RMB486,000,000, with annual interests rate from 4.78% to 7.05%; balance of short-term commercial papers was RMB2,000,000,000, with annual interests rate of 3.49%; other loans amounted to RMB111,363,000, with annual interests rate from 2.82% to 5.00%. The relevant balances are as follows:

	Maturity profile of interest-bearing borrowings			
	Total amount	**Within 1 year**	**>1 year to 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from domestic commercial banks	486,000	75,600	104,000	306,400
Short-term commercial papers	2,000,000	2,000,000	–	–
Other loans	111,363	22,727	84,091	4,545
Total (31 December 2009)	**2,597,363**	**2,098,327**	**188,091**	**310,945**
Total (31 December 2008)	3,155,691	1,607,727	560,509	987,455

With its steady cash flow, sound capital structure and excellent credit records, the Group has established and maintained favourable relations with financial institutions, enjoying the most preferential interest rates for its loans. As at 31 December 2009, the Group had bank facilities totaling RMB4.69 billion and unused bank facilities amounting to RMB4.69 billion.

Contingent Liabilities and Pledge of Assets

As at 31 December 2009, the concession rights pertaining to Chengbei Exit Expressway and Chengle Expressway with the net value of RMB184,788,000 and RMB1,122,452,000, respectively (2008: RMB197,638,000 and RMB1,151,944,000, respectively), were pledged to secure bank loans amounting to RMB179,600,000 and RMB306,400,000, respectively (2008: RMB214,600,000 and RMB1,307,000,000, respectively).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2009.

Comparative Figures

As the Company completed the acquisition of 100% equity interest in Chengle Company and adopted merger accounting for business combination under common control during the Year, certain comparative figures in this financial statements have been restated to conform to the Year's presentation and accounting treatment. Details are set out in note 2.1 to the financial statements.

Material acquisition

In June 2009, the Group has completed the acquisition of 100% equity interests in Chengle Company which has been accounted for in the Group's annual consolidated financial statements pursuant to the "Merger accounting for business combinations under common control" adopted by the Group.

IV. Business Development Plan

In 2009, under the spur of the Central Government's stimulus package led by RMB4 trillion investment, China's economy became the first to bottom out and move back to the recovery track, making the world astonished. In the new year, China's economy is expected to maintain the steady and fast development momentum, thus enabling the Group to operate and develop in a more stabilized, healthy and favorable external environment. Moreover, the relatively eased credit environment and more diversified financing instruments will create opportunities for the Company to optimize its capital and debt structure and reduce financial cost. In view of such, the Company has formulated the following operation strategy and business plan for the year 2010:

1. Based on analysis and summary of the Group's experiences in implementing its development strategy in recent years, and by virtue of its extensive research on dynamics in internal and external environment, the Company aims to improve its strategic development planning as soon as possible while defining and quantitating the work targets of the Group. Meanwhile, the Company will maintain good communications with governmental bodies and regulators, and aggressively integrate and improve the distribution of the Group's expressway assets through investment and acquisition, thus ensuring steady growth of its operating results.

2. The Group will commence the construction of Chengren Expressway in an efficient and orderly way, ensuring the objectives relating to timetable, quality, cost and safety could be achieved and the management quality for this construction project could be further enhanced.

3. The Company will continue to strengthen its study on financing products, broaden funding channels, optimize capital structure, make rational arrangement for debt term structure and interest rate structure for debts, lower financial costs, and maintain a reasonable gearing ratio, facility and favorable credit level for effectively fending off financial risks.

4. The Company will pay extra attention to strengthen the preventive maintenance of the Group's expressway assets through leveraging modern information management resources and innovations to improve management and maintenance of expressways, laying a solid foundation for long-term stable conditions of the Group's expressways.

5. More efforts will be put in recruitment and training of talents to foster a harmonious and positive corporate culture environment. Through implementing and improving incentive mechanism, constraint mechanism, talent fostering and selection mechanism to stimulate the staff's enthusiasm and creativity, the Group expects an overall improvement in the staff's professional skills and comprehensive capability to cater for its need to accelerate growth.

6. The Company will further streamline and optimize its internal control system, which will be implemented in the Group in order to achieve higher level of standardized and refined management, to strengthen its efficiency in execution and innovative ability, and to improve the overall management of the corporation.

Looking ahead, we will continue to focus on the investment, operation and management of the expressways. Aiming for sustainable development of the Group and leveraging on its core advantages, we are to tap new territory in expressway investment and construction, and fashion the Company into a large infrastructure conglomerate with distinct principal business, stable operation, complete governance structure and outstanding management.

Zhang Zhiying
Vice Chairman and General Manager

Chengdu, Sichuan Province, the PRC
9 March 2010

I. Corporate Governance

The Company is listed on the Stock Exchange and the SSE. In addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Code on Corporate Governance Practices (the "Code") of the Stock Exchange as set out in Appendix 14 to the Listing Rules and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. During the Reporting Period, save for the establishment of Remuneration Committee as required by the Code and the Code of Corporate Governance for Listed Companies, the Company had observed all the provisions of the Code and there was no substantial deviation in the actual condition of corporate governance of the Company from the requirements stipulated in the Code of Corporate Governance for Listed Companies.

Sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operations. More importantly, it fulfils the Company's internal development needs. A scientific and regulated decision-making system, a supervisory system with check and balance and effective execution capabilities constitute the foundation for the Company's healthy and sustained development. Since its establishment, the Company has set up a corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the management, and has conducted on-going review and improvement of such structure in practice. To date, the Company has realised a separation in positions between the Chairman and the General Manager. It set up an audit committee under the Board which practically performs its tasks. The Company also adopted an independent internal audit system, established a comprehensive internal control system and formulated multi-tier governance rules based on the Articles of Association of the Company aiming at clearly defining the duties, limit of authority and code of conducts. In accordance with laws, regulations and the governance rules, the general meeting, the Board, the Supervisory Committee and the management of the Company discharge their own duties, coordinate with each other, effectively counter-balance each other, and continuously enhance corporate governance standards, thereby laying down a solid foundation for driving the Company's development and maximising value for the shareholders.

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

During the Reporting Period, the Company made further amendments, supplements and improvements to its corporate governance system. The Company amended the Articles of Association of the Company and formulated regulations and rules such as Rules of Procedure for General Meeting, Rules of Procedure for the Board, Rules of Procedure for the Supervisory Committee's Meeting, Rules of Work for the Independent Directors, Rules of Work for the General Manager, Rules of Work for the Secretary to the Board, Decision-Making Systems on Connected Transactions, Method of Management on Fund Transfers with Connected Person and Guarantee, Management Method for Information Disclosure, Method of Management on Utilization of Raised Proceeds, Management Method for Investment, and Working Rules on Investor Relations.

2. Establishment of the internal control system of the Company

A complete and sound internal control system provides for guidelines on constraining and 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 and completeness of assets and the truth and reliability of operation results and financial position. 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, the China Banking Regulatory Commission and the China Insurance Regulatory Commission, the "Guidelines on Internal Control for Companies Listed on the SSE" by the SSE and the "Code on Corporate Governance Practices" by the 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 and helped to further improve the Company's internal control system in terms of integrity, implementation process and efficiency.

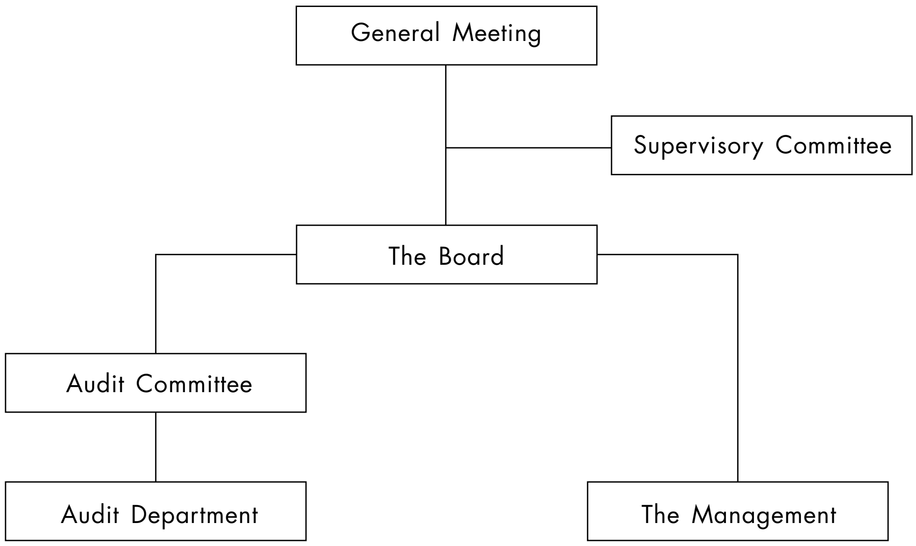
The Board is responsible for establishing and constantly improving the internal control system of the Company to ensure and review the effective implementation and regulatory compliance of all monitoring procedures in relation to corporate governance, operation management, property safety, risk control and procedures for implementation and operation 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 Board to conduct continuous examination and assessment on the effectiveness of internal control.

The management is authorised by the Board to implement the aforesaid internal control system. The management strictly complied with the operation standards and procedures stipulated by the internal control system in every aspect of operations of the Company to ensure effective control of the Company's operation. Meanwhile, the financial department and audit department of the Company conducted regular examination, supervision and assessment on the Company's financial position, operation and internal compliance to reduce risks. The management also reported the implementation status of internal control system to the Audit Committee and the Board on a regular basis.

Based on the examination by the Board on the effectiveness of the Company's internal control system in the Year, the Board 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.

II. Legal Person Governance Structure of the Company

The current governance structure of the Company is shown as follows:



1. Shareholders and General Meetings

The Company treats all the shareholders on an equal footing by ensuring that all shareholders, especially minority and medium shareholders, are entitled to enjoy equal status and sufficiently exercise their respective rights, and are entitled to the right to access to and to make decisions on material events of the Company and strictly prohibiting any act detrimental to the interests of the Company and the shareholders. Notification, authorization and consideration of general meetings are all in compliance with relevant procedures.

(1) Substantial Shareholders

The substantial shareholders of the Company include Sichuan Highway Development (31.88%-owned equity) and Huajian Centre (20.85%-owned equity). The Company has separate personnel, assets, finance, organization and business from the substantial shareholders, and therefore owns entire business and independent operation capability. The substantial shareholders have acted properly and never exploited their special position to intervene, in ultra vires over the general meeting, in the decisions or the operation of the Company or advance an extra interest.

Shareholding details of the substantial shareholders as at the end of the Reporting Period are set out in the Report of the Directors contained in this Annual Report.

(2) General Meetings

As the highest authority of the Company, the general meeting exercises its power in determining material events of the Company pursuant to the laws. The annual general meetings or other shareholder's meetings provide a channel of direct communication between the Board and the shareholders of the Company. Therefore, the Company puts high regard to general meetings. All Directors and senior management attended the meetings as far as possible to answer shareholders' enquiries and discuss directly with shareholders about the Company's business and prospect. At the general meetings, all shareholders have opportunities to enquire about issues concerning the operation and results of the Group.

During the Year, the Company convened one annual general meeting, four extraordinary general meetings, one class meeting of the holders of H Shares and one class meeting of the holders of domestic shares.

2. Board and Directors

Board

(1) Responsibilities and division of work

The Board acts on behalf of the interests of shareholders as a whole and reports to the general meeting. Its main duties are to exercise rights of decision-making and management in accordance with laws and regulations and the authorisation of general meetings in terms of the Company's development strategies, management framework, financing and investment plans, financial control and human resources, and to exercise supervision on the development and operating activities of the Company. Positions of Chairman and the General Manager of the Company are taken up by different persons. The Chairman takes charge of affairs of the Board, reviews the execution of the resolutions of the Board, formulates the Company's development strategies and capital operation whereas the General Manager, with the support and assistance from the Board and other senior management of the Company, is responsible for the implementation of the resolutions of the Board and the management of the Company's day-to-day operations and related decision-making. The reasonable division of work under the laws ensures a definite division between power and obligations with clear-cut and efficient decisions and implementations by the Board and the management.

(2) Composition

In 2009, the Board is composed of 12 members. It is the fourth session since the establishment of the Company. The term of the Directors commenced from 29 March 2007 or from the date on which the Directors were elected. As at the date of this report, the composition of the Board of the Company is set out in the section headed "Profile of Directors, Supervisors, Senior Management and Employees" in this Annual Report.

The fourth session of the Board has 4 Independent Directors, representing one third of the total directorship. Independent Directors also serve a term of 3 years and are eligible for re-election upon the expiry of the term. Independent Directors are experienced professionals in various industries including transportation, civil engineering, accounting and finance. With a responsible attitude and extensive professional knowledge and experience, the Independent Directors have in good faith performed their independent duties of honesty and diligence in participating in discussion and decision-making on material events of the Company, reviewing the fairness and justness of connected transactions and capital transaction of the Company as well as giving their independent opinions or recommendations, whereby the overall interests of the Company and the lawful interests of the shareholders as a whole have been effectively safeguarded. Independent Directors are playing an important role in the Board of the Company.

(3) Meetings of the Board

During the Year, the Board of the Company convened a total of 10 meetings of the Board based on the needs of the operation and business development of the Company. Details of attendance are as follows:

Name	Independent Director	Required attendance in Board meetings during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Absence	Personal absence for two or more consecutive meetings
Tang Yong	No	10	4	6	0	0	No
Zhang Zhiying	No	10	4	6	0	0	No
Zhang Yang	No	10	3	6	1	0	No
Gao Chun	No	10	3	6	1	0	No
Zhou Liming	No	10	4	6	0	0	No
Wang Shuanming	No	10	4	6	0	0	No
Liu Mingli	No	10	4	6	0	0	No
Nie Xinquan	No	1	0	0	0	1	No
Luo Xia	Yes	10	4	5	1	0	No
Feng Jian	Yes	10	4	6	0	0	No
Zhao Zesong	Yes	10	4	6	0	0	No
Xie Bangzhu	Yes	10	4	6	0	0	No
Liu Xianfu	No	8	3	5	0	0	No
Hu Yu	No	1	0	1	0	0	No

Number of Board held during the Year	10
Of which: number of physical meetings	4
Number of meetings held via communications	6
Number of meetings held by way of combination of both	0

Note: Save that Director Nie Xinquan was not able to attend in person and had not entrusted other Directors on his behalf to attend and vote on the fifteenth meeting of the fourth Board of the Company, Directors who did not attend any of the other meetings of the Board in person have entrusted other Directors on his/her behalf to attend and vote at the meeting.

During the Reporting Period, all Directors of the Company have attended the Board meetings with due care and diligence, and offered professional suggestions and independent judgments in respect of the material issues being discussed at the meetings by virtue of their expertise and experience.

Apart from attendance of Board meetings with due diligence and performance of their duties with honesty, the Independent Directors of the Company also held meetings with external auditors to discuss annual auditing issues in accordance with relevant requirements and guidance and provided independent opinions and recommendations to the Board in respect of material issues and connected transactions of the Group. In 2009, Independent Directors, by joining the Board and special committees, reviewed and provided independent opinions on material issues of the Company such as investment decisions, connected transactions, nominations of senior executives, financial auditing and internal control, whereby the overall interest of the Company and the lawful interest of the shareholders as a whole have been effectively safeguarded and the healthy development of the Company has been promoted.

During the Year, Independent Directors have neither raised any objection to the resolutions of the Board nor any proposal to convene a Board meeting.

The management of the Company is responsible for the provision of relevant materials and information required for the Board's consideration of various proposals and arranging for senior executives to report their work at Board meetings. The Board of the Company and its special committees 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, Directors shall report their interests involved, and shall abstain from attending or voting at the meeting as appropriate. 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 at the relevant Board meeting.

Directors

(1) Appointment

Directors are elected or replaced at general meetings. Shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship in writing. Directors serve for a term of three years and, upon expiry of the term, their appointment is subject to further consideration at a general meeting and they may offer themselves for re-election. Independent Directors shall be persons not connected with the management and substantial shareholders of the Company, and they shall not serve for more than six consecutive years.

(2) Information support and professional development

As always, the Company has been committed to improve its internal information support system and communication mechanism so as to secure the effective functioning of the Board. Through the Secretary to or office of the Board, all Directors during their term of office are able to keep abreast of relevant information and the latest movements in laws, regulations, regulatory ordinances and other continuing obligations that Directors of listed companies shall comply with, on a timely basis.

Through various means such as information provision, work reports, site visits and professional trainings, all Directors are enabled to keep informed of the business development, competition and regulatory environment of the Company on a timely basis, thus ensuring they understand their duties. This will facilitate correct and effective supervision by the Directors and ensure procedures of the Board and the applicable regulations and laws are duly observed.

(3) Remuneration of Directors and supervisors

During the Year, the Board of the Company has not set up a Remuneration Committee with written terms of reference in accordance with the requirements of relevant code provisions of the Code. Until now, remunerations of Directors, supervisors and senior management of the Company are determined on the basis of related PRC policies or regulations, the Company's operation and applicable percentage of per capita income of the working population of Chengdu where the Company is situated, of which the remunerations of Directors are subject to approval of the general meeting of the Company. Information on the remunerations of Directors and supervisors of the Company for 2009 are set out in Note 7 to the financial statements of this Annual Report.

(4) Independence of Directors

The Company has appointed a sufficient number of Independent Non-executive Directors. The Board has obtained written confirmations from all Independent Non-executive Directors concerning their independence in accordance with the requirements of the listing rules of the SSE and the Stock Exchange. The Company believes that the incumbent Independent Non-executive Directors have all complied with the relevant guidelines as stipulated in such rules and are still regarded as independent.

(5) Securities transactions by Directors

During the Year, the Company has adopted a code of conduct regarding securities transactions by the directors on terms not less exacting than the required standards set out in Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") contained in Appendix 10 of the Listing Rules of the Stock Exchange, and has strictly complied with the relevant requirements of the listing rules of the SSE. Having made specific enquiries of all Directors, it was confirmed that the Directors of the Company have complied with the Model Code in relation to securities transactions by the Directors and its standards of code of conduct and there had not been any non-compliance with the relevant requirements of the Model Code and the listing rules of the SSE.

3. Audit Committee

The Company set up an Audit Committee in November 2004. The Audit Committee comprises 3 Independent Non-executive Directors, namely Madam Luo Xia, Mr. Feng Jian and Mr. Zhao Zesong. The term of office for members of the Audit Committee is the same as those of Independent Non-executive Directors.

The committee's responsibilities include supervising the Company's internal audit system and its implementation, auditing the financial information and its disclosure, reviewing the internal control system, auditing material connected transactions as well as communicating, supervising and verifying works in the Company's internal and external audits.

In 2009, the Audit Committee convened 4 meetings presided by Madam Luo Xia, the chairman of the Audit Committee. All the members of the committee attended the meetings in person. All resolutions passed at the meetings were duly recorded, retained and a written report was issued to the Board in accordance with relevant regulations.

Major work completed by the Audit Committee during the Year includes:

- Reviewing the Group's annual, interim and the third quarterly results report and financial report as well as the dividend distribution proposal;

- Reviewing and supervising the quality and procedure of the Group's financial reporting and financial control. In accordance with relevant procedures, the management is responsible for the preparation of the Group's financial report which includes the adoption of appropriate accounting policies and external auditors are responsible for auditing and verifying the Group's financial report and evaluating the Group's internal control system, while the Audit Committee supervises the work of both the management and the external auditors and ratifies the procedures and safeguard measures adopted by them;

- Supervising internal auditing of the Company;

- Assisting the Board with the evaluation on the effectiveness of financial reporting procedure and internal control system of the Group;

- Considering the appointment of independent auditors and coordinating their work and reviewing the efficiency and quality of their work;

- Advising on material issues of the Company or reminding the management of related risks.

III. Supervisory System

1. Supervisory Committee

The Supervisory Committee of the Company comprises 6 members, and is the fourth session of the Supervisory Committee since the establishment of the Company. The term of supervisors commenced from 29 March 2007 or the date of election. The Company convened an extraordinary general meeting on 23 January 2009 for the purpose of approving the appointment of Madam Luo Yi as the supervisor of the Company and the resignation of Mr. Liu Xianfu as the supervisor of the Company. On 13 October 2009, the Company convened an extraordinary general meeting at which the appointment of Mr. Dong Zhi as a supervisor of the Company and the resignation of Madam Luo Yi as a supervisor of the Company were approved.

The Supervisory Committee exercises the independent power to supervise the Company under the laws to protect shareholders, the Company and employees from the violation of their lawful interests.

The size and composition of the Company's Supervisory Committee are in compliance with the requirements of the laws and regulations. During the Year, the Supervisory Committee convened 4 meetings. On behalf of the shareholders, the Supervisory Committee has honestly performed its duties in supervising the Company's financial affairs and the legal compliance and rationality of Directors and senior management in discharge of their duties. All the members attended the committee meeting in person, attended the meetings of the Board and general meetings as observers. The working details of the Supervisory Committee are set out in "Report of the Supervisory Committee" of this Annual Report.

2. Internal control

The Board is responsible for the establishment and improvement of internal control system of the Company for the purpose of reviewing the relevant control procedures of finance, operation and regulation so as to protect shareholders' interest and the Company's assets. It authorizes the management to implement internal control system and reviews its effectiveness through the Audit Committee. For details, please refer to "Corporate Governance" in this section.

To more effectively review the operation and management of the Group and the effectiveness of internal control system, the Company set up an audit department in April 2004. The scope of internal audit covers key areas such as the Company' operation, investments, corporate governance and financial management. The work results and suggestions of the audit department are reported by the department manager directly to the Supervisory Committee and the Audit Committee for consideration, then the Supervisory Committee or the Audit Committee makes recommendations to the management of the Company and reports to the Board in respect thereof.

3. Auditors

The financial statements included in the 2009 Annual Report of the Company were prepared in accordance with the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, respectively, and have been audited respectively by ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants.

The fees paid to accounting firms in 2009 are as follows:

Unit: RMB'000

	Annual audit fee for 2009	Annual audit fee for 2008
Ernst & Young Certified Public Accountants	**1,750**	1,353
ShineWing Certified Public Accountants	**450**	373

Note: During the Year, as Sichuan Jun He Certified Public Accountants Co.,Ltd., former domestic auditors of the Company, was merged by Shinewing Certified Public Accountants, Shinewing Certified Public Accountants became the domestic auditors of the Company.

Apart from the said fees, no other fees were paid by the Company.

The Audit Committee has discussed and assessed the professional qualification of ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants and the annual audit for 2009 performed by them, and raised opinions and recommendations in respect thereof. The Audit Committee' proposal to reappoint ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants as the Company's domestic and international auditors respectively has been approved by the Board and will be presented to the 2009 annual general meeting for consideration and approval.

4. Information Disclosure and Investor Relations

Information Disclosure

In light of an open, just and fair principle, the Company strives to comply with the relevant laws and the requirements of the SSE and the Stock Exchange and fulfills its disclosure obligations in a timely and accurate manner, so as to ensure that all shareholders have an equal and sufficient access to information and improve its transparency. The duties concerning information disclosure is performed by the secretary of the Board.

During the Reporting Period, the Company released 3 periodic reports and 31 ad hoc announcements concerning A Shares and 64 ad hoc announcements concerning H Shares pursuant to the listing rules of the SSE and the Listing Rules. Announcements concerning A Shares were published on the website of the SSE and in China Securities Journal and Shanghai Securities Journal while those concerning H Shares were published on the website of the Stock Exchange. For details of these announcements, please visit http://www.sse.com.cn, http://www.hkex.com.hk or the Company's website http://www.cygs.com.

Investor Relations

The Company's management has been attaching importance to positive investor relations management. On one hand, various means are used to convey information to investors and increase the transparency of the Company. On the other hand, in delivering information to investors, the Company also listens to their advice and collects the feedback from them, aiming to form an interactive and mutual beneficial relation between the Company and investors.

The Company conducts its investor relations work mainly through:

— the investor hotline and e-mail, responding to investors' inquiries in a timely manner;

— daily receptions for visits from investors and analysts;

— participating in large-scale investor presentations;

— hosting results presentations and domestic and overseas road shows;

— publishing information related to the Company's assets, traffic flow, toll revenue, information disclosure and corporate governance on the Company's website;

IV. Conclusion

The Company is committed to continuously enhancing corporate governance. As a newly listed company with both A Shares and H Shares, we will continue to review and improve our corporate governance practice on a timely basis in accordance with the regulatory systems in Shanghai and Hong Kong, market trend and feedback from investors to ensure sound development of the Company and continuous increase in shareholders' value.

The directors present their report and the audited financial statements of the Company and the Group for the year ended 31 December 2009.

Principal activities

The principal activities of the Company are investment holding, construction, management and operation of Chengyu Expressway and Chengya Expressway. Details of the principal activities of the subsidiaries are set out in note 14 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Particulars of the expressways managed and operated by the Group as at 31 December 2009 are as follows:

	Origin/destination	Approximate length	Date of commencement of operations of the entire toll expressway
Chengyu Expressway	Chengdu/Shangjiapo	226km	1 July 1995
Chengya Expressway	Chengdu/Duiyan	144km	28 December 1999
Chengle Expressway	Qinglongchang/Guliba	86.44km	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10.35km	21 December 1998

Results and dividends

The Group's profit for the year ended 31 December 2009 and the state of affairs of the Company and the Group at that date are set out in the financial statements on pages 70 to 144.

An interim dividend of RMB0.13 per share of RMB397,547,800 was paid to holders of A Shares and H Shares of the Company on 9 and 25 September 2009, respectively. The directors recommend the payment of a final dividend of RMB0.064 per share in respect of the year to shareholders of H Shares on the H Shares register of members on 12 May 2010 and shareholders of A Shares on the A Shares register of members on a specified date within two months after the forthcoming annual general meeting. This recommendation has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

Use of proceeds from the Company's issue of A Shares

The proceeds from the Company's issue of new A Shares at the time of its listing on the Shanghai Stock Exchange in July 2009, after deduction of related issuance expenses, amounted to approximately RMB1.7 billion. These proceeds were applied during 2009 in accordance with the proposed applications set out in related sections of the Company's A Shares listing prospectus, as follows:

- approximately RMB1.1 billion was used for the repayment of borrowings raised by the Company (including but not limited to debt financing such as bank loans) for the acquisition of equity interest in Chengle Company; and

- approximately RMB0.6 billion was used for the partial repayment of the bank loans of Chengle Company.

Summary financial information

A summary of the results and assets, liabilities and minority interests of the Group for the last five financial years, as extracted from the published audited financial statements and restated/reclassified as appropriate, is set out below. The amounts of each year in the five year financial summary have been restated due to the adoption of merger accounting for business combination under common control, as detailed in note 2.1 to the financial statements. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
Revenue	**1,878,814**	1,610,309	1,520,648	1,178,001	1,103,806
Other income and gains	**605,028**	264,193	299,650	332,513	131,056
Total revenue, other income and gains	**2,483,842**	1,874,502	1,820,298	1,510,514	1,234,862
Depreciation and amortisation expenses	**(357,394)**	(346,848)	(343,595)	(297,020)	(302,707)
Employee costs	**(193,782)**	(175,804)	(134,699)	(120,581)	(110,799)
Other operating expenses	**(811,172)**	(437,693)	(532,872)	(581,031)	(342,784)
Finance costs	**(146,878)**	(218,065)	(167,283)	(188,217)	(197,644)
Share of profits and losses of associates	**11,430**	5,757	4,699	5,048	5,449
PROFIT BEFORE TAX	**986,046**	701,849	646,548	328,713	286,377
Income tax expense	**(148,475)**	(104,269)	(122,514)	(7,127)	(64,414)
PROFIT FOR THE YEAR	**837,571**	597,580	524,034	321,586	221,963
Other comprehensive income	**–**	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**837,571**	597,580	524,034	321,586	221,963
Attributable to:					
Owners of the Company	**827,475**	591,660	515,408	294,549	244,274
Minority interests	**10,096**	5,920	8,626	27,037	(22,311)
	837,571	597,580	524,034	321,586	221,963

ASSETS, LIABILITIES AND MINORITY INTERESTS

	As at 31 December				
	2009	2008	2007	2006	2005
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**10,605,777**	9,834,361	9,361,079	9,220,742	9,446,636
TOTAL LIABILITIES	**(3,160,087)**	(3,465,877)	(3,582,444)	(3,754,291)	(3,836,293)
MINORITY INTERESTS	**(103,573)**	(103,225)	(105,036)	(103,615)	(208,015)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**7,342,117**	6,265,259	5,673,599	5,362,836	5,402,328

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the year are set out in note 11 to the financial statements.

Share capital

Details of movements in the share capital of the Company during the year are set out in note 25 to the financial statements.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's articles of association or the laws of the People's Republic of China (the "PRC") which would oblige the Company to offer new shares on a pro rata basis to the existing shareholders.

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 26 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

According to the Company's articles of association, the Company is required to distribute dividends based on the lower of the Company's profits determined under the following generally accepted accounting principles:

- the accounting principles and the relevant financial regulations applicable to enterprises established in the PRC ("PRC GAAP"); and

- Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("HK GAAP").

At 31 December 2009, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB810,860,000. The Company's distributable reserves as at 31 December 2009 determined under HK GAAP were lower than those determined under PRC GAAP. In addition, in accordance with the Company Law of the PRC, the Company's share premium account, in the amount of RMB2,654,601,000, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

The five largest customers and suppliers of the Group contributed less than 30% of the total operating revenue and purchases, respectively, of the Group during the year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

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

Directors and supervisors

The directors and the supervisors of the Company during the year were:

Chairman of the board of directors:

Mr. Tang Yong

Executive directors:

Mr. Zhang Zhiying	
Madam Zhang Yang	
Mr. Gao Chun	
Mr. Zhou Liming	
Mr. Wang Shuanming	
Mr. Liu Mingli	
Mr. Nie Xinquan	Resigned on 23 January 2009
Mr. Liu Xianfu	Appointed on 23 January 2009 and resigned on 13 October 2009
Madam Hu Yu	Appointed on 13 October 2009

Independent non-executive directors:

Madam Luo Xia
Mr. Feng Jian
Mr. Zhao Zesong
Mr. Xie Bangzhu

Supervisors:

Mr. Feng Bing	
Mr. Hou Bin	
Mr. Ouyang Huajie	
Mr. Jian Shixi	
Madam Yang Jingfan	
Mr. Liu Xianfu	Resigned on 23 January 2009
Madam Luo Yi	Appointed on 23 January 2009 and resigned on 13 October 2009
Mr. Dong Zhi	Appointed on 13 October 2009

The Company has received annual confirmations of independence from Madam Luo Xia, Mr. Feng Jian, Mr. Zhao Zesong and Mr. Xie Bangzhu as required by Rule 3.13 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules"). As at the date of this report, they were still considered to be independent.

Directors', supervisors' and senior management's biographies

Biographical details of the directors and the supervisors of the Company and the senior management of the Group are set out under the section of "Profile of Directors, Supervisors, Senior Management and Employees" of the annual report.

Directors' service contracts

Each of the directors of the Company entered into a service contract with the Company from their respective date of appointment for a term of three years.

None of the directors of the Company has entered into any service contract with the Company which is not determinable by the Company within one year without payment of compensation, other than statutory compensation.

Directors' and supervisors' remuneration

The directors' and supervisors' remuneration is determined by the Company's board of directors with reference to the pay scale applicable to directors of listed state-owned companies in Mainland China. Details of directors' and supervisors' remuneration of the Company are set out in note 7 to the financial statements.

Directors' and supervisors' interests in major contracts

None of the directors and supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party during the year.

Directors', supervisors' and chief executives' interests in shares, underlying shares

As at 31 December 2009, none of the directors, supervisors and chief executives of the Company had any interest or short position in the shares, underlying shares of the Company and/or any of its associated corporations within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO") that was (i) required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which were taken or deemed to have under such provisions of the SFO); and (ii) required to be registered pursuant to Section 352 of the SFO or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Directors' and supervisors' rights to acquire shares or debentures

At no time during the year were rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any directors or supervisors or their respective spouses or minor children, or were such rights exercised by them, or was the Company, or any of its holding companies, subsidiaries or fellow subsidiaries a party to any arrangement to enable the directors or supervisors to acquire such rights in any other body corporate.

Substantial shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2009, interests and short positions of other persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Name	Type of shares	Long Position/ Short Position	Number of the Company's issued shares held	Approximate percentage in the total share capital of the Company	Approximate percentage of A Shares/ H Shares	Capacity
Sichuan Highway Development Holding Company	A Shares	Long Position	975,060,078	31.88%	45.08%	Beneficial owner
Huajian Transportation Economic Development Centre	A Shares	Long Position	637,679,922	20.85%	29.48%	Beneficial owner
Chilton Investment Company, Inc.	H Shares	Long Position	53,820,220	1.76%	6.01%	Interest of controlled corporation
Chilton Investment Company, LLC	H Shares	Long Position	53,820,220	1.76%	6.01%	Investment manager
Chilton Richard Lockwood, Jr.	H Shares	Long Position	53,820,220	1.76%	6.01%	Interest of controlled corporation

Save as disclosed above, as at 31 December 2009, no person, other than the directors, supervisors and chief executives of the Company, had any interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' and supervisors' interests in competing businesses

During the year and up to the date of this report, none of the directors or supervisors of the Company were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Retirement scheme

As stipulated by the state regulations in the PRC, the Group participates in a defined contribution retirement scheme. All retired employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to a local social security bureau at a rate of 20% of the employees' salaries or wages of the current year, up to an amount equivalent to three times the employees' average basic salaries of last year within the geographical area where the employees are employed. The Group has no obligation for the payment of pension benefits beyond the annual contributions. During the year, contributions to the local social security bureau made by the Group under the defined contribution retirement scheme amounted to approximately RMB19,253,000 (2008: RMB17,620,000).

In addition, effective from 1 January 2007, a supplementary defined contribution pension scheme managed by an independent financial institution was established for certain qualified employees. Under the plan, the Group makes a monthly defined contribution for certain qualified employees at a rate of 8.3% of the qualified employees' salaries or wages of the last year. There were no vested benefits attributable to past service upon the adoption of the plan. During the year, contributions to the supplementary defined contribution pension scheme made by the Group amounted to approximately RMB7,882,000 (2008: RMB6,379,000). Other than the above, the Group has no obligation for the payment of pension benefit beyond those annual contributions.

Accommodation benefits for employees

According to the relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the last year, to an accommodation fund. Apart from such contributions to the accommodation fund, there are no further obligations on the part of the Group. During the year, the Group's contributions to the accommodation fund amounted to approximately RMB15,245,000 (2008: RMB14,344,000).

Connected transaction and continuing connected transactions

During the year, the Company and the Group had the following connected and continuing connected transactions, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

Connected transaction

(a) On 23 June 2009, the Company completed the acquisition from Sichuan Highway Development Holding Company ("Sichuan Highway Development") of its 99.18% equity interests in Chengle Company at a consideration of RMB1,089,315,000.

(b) During the year, Sichuan Zhineng Transportation System Management Company Limited ("Sichuan Zhineng"), a subsidiary of Sichuan Highway Development, declared to waive the outstanding receivables of RMB8,958,000 from the Group as at 31 December 2008.

Continuing connected transaction

(a) On 1 February 2004, Chengle Company entered into a five years tenancy agreement (the "First Tenancy Agreement") with Sichuan Highway Development, whereby Sichuan Highway Development leased out certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy agreement was extended for another five years when the First Tenancy Agreement expired on 31 January 2009 at an annual rental of RMB1,138,000. For the year ended 31 December 2009, the rental payable to Sichuan Highway Development amounted to RMB1,138,000 (2008: RMB1,195,000).

(b) On 6 March 2008, the Company and Chengbei Company, a subsidiary of the Company, entered into two separate service agreements (the "Service Agreements") with Sichuan Zhineng, in relation to the provision of a computer system on expressways network toll fee collection and technological services to the Company and Chengbei Company. The Service Agreements cover the service fees payable by the Company and Chengbei Company for the period from 1 January 2008 to 31 December 2010 which is calculated based on a rate of 0.6% of the total audited toll income to be received by the Company and Chengbei Company during the three years ending 31 December 2010 less certain discount to be agreed both parties with reference to the operating condition of the respective expressways. The contracting parties consider that it will be administratively more efficient if the Service Agreements are for a term of three (3) years rather than renewing annually. For the year ended 31 December 2009, the service fees paid by the Company and Chengbei Company to Sichuan Zhineng under the Service Agreements amounted to approximately RMB5,505,000 (2008: RMB6,802,000). In addition, on 24 August 2009, Chengle Company entered into a service agreement (the "Chengle Service Agreement") with Sichuan Zhineng in relation to the provision of a computer system on expressways network toll fee collection and technological services to Chengle Company, covering the service fees payable by Chengle Company for the period from 1 January 2009 to 31 December 2009 which is calculated based on a rate of 0.4% of the total audited toll income to be received by Chengle Company during the year. For the year ended 31 December 2009, the service fees paid by Chengle Company to Sichuan Zhineng under the Chengle Service Agreement amounted to approximately RMB2,006,000 (2008: RMB2,530,000).

Further details of the Group's connected transactions during the year are presented in note 31 to the financial statements. In the opinion of the directors, including the independent non-executive directors of the Company, these transactions were:

(a) conducted in the ordinary course of business of the Group and on normal commercial terms;

(b) entered into in accordance with the terms of the agreements governing such transactions; and

(c) fair and reasonable so far as the shareholders of the Company are concerned.

Events after the reporting period

Details of significant events after the reporting period of the Group are set out in note 34 to the financial statements.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Auditors

Shine Wing Accountants and Ernst & Young retire and a resolution for their reappointment as domestic and international auditors of the Company will be proposed at the forthcoming annual general meeting.

On behalf of the Board

Tang Yong
Chairman

Chengdu, Sichuan Province, the PRC
9 March 2010

I. Directors, Supervisors, Senior Management and Employees

Name	Gender	Age	Position	Term of office	Total remuneration received from the Company for the Year *(RMB10 thousand)* *(before tax)*
Tang Yong	Male	45	Chairman	From March 2007 to March 2010	21.80
Zhang Zhiying	Male	47	Vice Chairman, General Manager	From March 2007 to March 2010	21.80
Zhang Yang	Female	46	Vice Chairman	From March 2007 to March 2010	13.00
Gao Chun	Male	53	Director	From March 2007 to March 2010	13.00
Zhou Liming	Male	46	Director	From March 2007 to March 2010	13.00
Wang Shuanming	Male	50	Director	From March 2007 to March 2010	13.00
Liu Mingli	Male	46	Director, Deputy General Manager	From March 2007 to March 2010	18.60
Hu Yu	Female	34	Director	From October 2009 to March 2010	3.30
Luo Xia	Female	47	Independent Non-executive Director	From March 2007 to March 2010	6.00
Feng Jian	Male	47	Independent Non-executive Director	From March 2007 to March 2010	6.00
Zhao Zesong	Male	55	Independent Non-executive Director	From March 2007 to March 2010	6.00
Xie Bangzhu	Male	70	Independent Non-executive Director	From December 2007 to March 2010	6.00
Nie Xinquan	Male	43	Director	From December 2007 to January 2009	/
Liu Xianfu	Male	45	Director	From January 2009 to October 2009	7.60
Feng Bing	Male	47	Chairman of Supervisory Committee	From March 2007 to March 2010	21.80
Hou Bin	Male	52	Supervisor	From March 2007 to March 2010	/
Ouyang Huajie	Male	41	Supervisor	From March 2007 to March 2010	/

Name	Gender	Age	Position	Term of office	Total remuneration received from the Company for the Year *(RMB10 thousand) (before tax)*
Jian Shixi	Male	53	Supervisor, Chairman of Labour Union	From March 2007 to March 2010	18.60
Yang Jingfan	Female	48	Supervisor	From March 2007 to March 2010	16.40
Dongzhi	Male	29	Supervisor	From October 2009 to March 2010	/
Liu Xianfu	Male	45	Supervisor	From December 2007 to January 2009	/
Luo Yi	Female	37	Supervisor	From January 2009 to October 2009	/
Gan Yongyi	Male	46	Deputy General Manager	From March 2007 to March 2010	18.60
Luo Maoquan	Male	44	Deputy General Manager	From March 2007 to March 2010	18.60
Lin Binhai	Male	50	Deputy Party Secretary, Secretary to Discipline Committee	From June 2006 to June 2011	18.60
Liu Jiujie	Male	45	Deputy General Manager	From March 2009 to March 2010	13.95
Zhang Yongnian	Male	47	Company Secretary	From March 2007 to March 2010	18.60
Li Guogang	Male	60	Financial Controller	From March 2007 to March 2010	18.60

During the Reporting Period, none of the directors, supervisors and senior management held or dealt in the securities of the Company.

II. Biographies of Directors, Supervisors and Senior Management

(1) As at the date hereof, biographies of existing directors are as follows:

Mr. Tang Yong: aged 45, graduated from Sichuan Transportation School and Highway College of Chang'an University with a master's degree in engineering. He was a technician, assistant engineer, deputy section head, and section head of Road Maintenance Section of Dazhu County, Sichuan, deputy director of the Communications Department of Dazhu County, deputy director of the Communications Department of Dachuan District, Sichuan, director and general manager of Sichuan Road & Bridge Co., Ltd., general manager and Party Secretary of Sichuan Dayu Expressway Construction Development Co., Ltd., head of the Construction Management Division of the Provincial Department of Communications ("PDC"), head of Comprehensive Planning Division of the PDC. Currently he is the Chairman of Chengyu Company.

Mr. Zhang Zhiying: aged 47, graduated from the Faculty of Accounting of Shanxi Financial and Economic Institute with a bachelor degree, and holds the title of senior accountant. He was an accountant of the Finance Section of the Road Administration Bureau of the PDC, deputy head of the Finance Division of Sichuan Major Highway Construction Directorate, head of the Finance Division of the Expressway Administration Bureau of the PDC, deputy head and head of Finance Division of the PDC and the Financial Controller of the Company. Currently he is the Vice Chairman and General Manager of Chengyu Company.

Madam Zhang Yang: aged 46, graduated from Lanzhou University with a bachelor degree in economics and is a postgraduate of economic management of Central Communist Party School. She worked with the Ministry of Space Industry as an officer, deputy section chief and section chief. She has been serving as project manager, deputy department manager, department manager and assistant to the general manager of Huajian Centre since 1994. She is currently the deputy general manager of Huajian Centre, Director of Shenzhen Expressway Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), Xia Men Port Development Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Zhejiang Expressway Co., Ltd. (a company listed on the Hong Kong Stock Exchange), Henan Zhongyuan Expressway Company Limited(a company listed on the Shanghai Stock Exchange)and Jiangsu Expressway Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) as well as the vice chairman of Jilin Expressway Company Limited (吉林高速公路股份有限公司).

Mr. Gao Chun: aged 53, holds the title of senior economist with an MBA degree of Macao University of Science and Technology. He was the deputy head of the Teaching Department of Sichuan Transportation School, deputy head of the Human Resources Division of the PDC, Deputy Party Secretary of the central district of Deyang City, Deputy Party Secretary of the Direct Body under the PDC, Party Secretary of Sichuan Road Design Institute and Party Secretary of Sichuan Vocational and Technical College of Communications. Mr. Gao is currently the Chairman of Sichuan Highway Development.

Mr. Zhou Liming: aged 46, graduated from Southwest Jiaotong University and obtained a bachelor degree in engineering from Southwest Jiaotong University and a master degree in economics from Sichuan University. He was a tutor at Southwest Jiaotong University, head of Research Department of the Sichuan Provincial People's Government, secretary of the Department of General Office of Sichuan Provincial People's Government, deputy director of Road Administration Bureau of SPDC, assistant to the Mayor of the Neijiang Municipal People's Government in Sichuan Province, and Chairman of Chengyu Company. He is currently the General Manager of Sichuan Highway Development.

Mr. Wang Shuanming: aged 50, graduated from Dongbei University of Finance and Economics and Military Economics Academy with a master's degree, holds the title of senior accountant. He was an assistant in the Finance Division of the Logistics Department of Chengdu Military Area, assistant accountant in the Second Military Warehouse of Chengdu Military Area, assistant accountant and accountant in the 38th Division of the Logistics Department of Chengdu Military Area, assistant researcher and deputy head of the Finance Division of SPDC, and chief of the Management on Vehicle Purchase Surcharges Collection in Sichuan Province. He is currently the director and deputy general manager of Sichuan Highway Development.

Mr. Liu Mingli: aged 46, graduated from the Research School of Sichuan University majoring in economics. He was formerly the Secretary of the Department of General Office of Sichuan Provincial People's Government, the assistant to director and deputy director of Expressway Administration Bureau of the PDC. He is currently the deputy general manager of Chengyu Company.

Madam Hu Yu: aged 34, graduated from University of Tongji with a major in Accounting and has obtained a bachelor degree in Economics. She was the accountant of Beijing City Development Group Company Limited, and finance manager of Shanghai Mitsubishi Elevator Co., Ltd. (Beijing office). She served as the manager of the finance department of China Merchants Group Limited and a supervisor of Huabei Expressway Co., Ltd. (a company listed on the Shenzhen Stock Exchange). She currently serves as the deputy manager of the planning and finance department of Huajian Centre, a substantial shareholder of the Company, and also a supervisor of Jiangsu Expressway Company Limited (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) and a supervisor of Guangxi Wuzhou Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Madam Luo Xia: aged 47, graduated from Chongqing Construction and Engineering College with a bachelor degree majoring in road engineering. She also graduated from Southwest Jiaotong University with a master degree in traffic and transportation engineering and a doctorate in transportation means. Currently, she is a council member of the Sichuan Provincial Road Association, the deputy chairperson of the Chengdu Municipal Road Association and a member of the expert panel of "Straightway Project" under the Ministry of Public Security and the Ministry of Construction. She is a professor of Southwest Jiaotong University, a tutor to doctorate candidates, vice president of College of Traffic & Transportation and the chief of Research Institute of Traffic Engineering.

Mr. Feng Jian: aged 47, graduated from Southwest Finance University with a bachelor degree in accounting and a doctorate in finance. Mr. Feng holds the qualification of the PRC Certified Public Accountant and is the Chief Secretary of China Finance Association, a member of the China Accounting Association and a council member of the China Education and Audit Association. He is currently a professor and tutor to doctorate candidates in Southwest Finance University, an independent director of Chengdu Westone Information Industry Co., Ltd, of which the shares are listed on the Shenzhen Stock Exchange and an independent director of Sichuan Dikang Sci & Tech Pharmaceutical Industry Co., LTD., of which the shares are listed on the Shanghai Stock Exchange.

Mr. Zhao Zesong: aged 55, graduated from Beijing Institute of Business and Southwest Finance University with a master's degree in accounting. He is the standing director and deputy head of Sichuan Accounting Association, the expert for supervising certified accountants of Sichuan. He was a member and deputy director of the Review Committee for Senior Accountants and Senior Economists, an independent director of Chengdu Hi-Tech Development Co., Ltd. (formerly known as Chengdu Brilliant Development Group, Inc.) (a company listed on the Shenzhen Stock Exchange). Currently he is a director, professor and a master tutor of the Accounting Department of Chengdu University of Technology and an independent director of Sichuan Road & Bridge Co., Ltd, of which the shares are listed on the Shanghai Stock Exchange and Chengdu Tianxing Instrument and Meter Co, of which the shares are listed on the Shenzhen Stock Exchange.

Mr. Xie Bangzhu, aged 70, graduated from Chongqing Jiaotong College majoring in roads and bridge construction and Huadong Institute of Hydraulic majoring in hydraulic and port engineering, and obtained a college diploma and college diploma (correspondence) respectively. He had worked at Sichuan Institute of Road Design as a technician, engineer, deputy chief engineer to the head office, senior engineer and chief engineer of the design institute. Being a national standard engineer, he is currently a senior technical project consultant of Sichuan Institute of Road Design and chief engineer consultant of Sichuan Chuanjiao Highway Consultancy Company.

(2) As at the date hereof, biographies of existing supervisors are as follows:

Mr. Feng Bing: aged 47, graduated from Xian Road College and obtained a bachelor degree majoring in automatic control in traffic engineering and from Changan University majoring in traffic and transportation planning and management with a master degree. He had been the Party Secretary of the direct body under the PDC, deputy chief officer and chief officer of the Planning Division of the PDC, and deputy head, investigator and head of the Overall Planning Division of the PDC. He is currently the Chairman of the Supervisory Committee of Chengyu Company and the independent non-executive director of Jilin Expressway Company Limited (吉林高速公路股份有限公司).

Mr. Hou Bin: aged 52, graduated from Chengdu Telecommunications Engineering College, and is a senior economist. He was the deputy chief officer of the Publicity and Education Division of Sichuan Automobile Transportation Company Chengdu Branch, the officer of the Publicity Division of the Political Department of the PDC, deputy theory tutor of the party committee of the direct body under the SPDC, the leader of the liaison team for designated help for Muchuan County of the PDC, the deputy head of Muchuan County People's Government, the office chief of Sichuan Shuhai Communications Investment Company Limited and the office chief, chairman of labour union, deputy general manager, chief of the preparation team of the party committee of Sichuan Highway Development, as well as the chairman of Sichuan Leshan Shanwan Hotel Co., Ltd., Sichuan Gaolu Communications Information Engineering Co., Ltd. and Sichuan Gonggashan Modern Glacier (Group) Co., Ltd., and the general manager of Chuanxi High-level Highway Development Co., Ltd. He is currently the deputy party secretary of Sichuan Highway Development.

Mr. Ouyang Huajie: aged 41, graduated from Southwest Finance University with a bachelor's degree in accounting, and Sichuan University with a master's degree in economics, and is a senior accountant. He was the assistant accountant of the stated-owned Hongguang Electronic Tube Factory, chief accountant of Sichuan Tongya Industries Development Company, deputy manager of the Fund and Finance Division of Sichuan Highway Development. He is currently the manager of Finance Division of Sichuan Highway Development.

Mr. Jian Shixi: aged 53, graduated from Sichuan Provincial Party School majoring in economics and administration and is a senior economist. From 1986, he had been an officer of the Policy Research Office of SPDC, deputy chief of Sichuan Major Highway Construction Directorate, office chief of the Expressway Administration Bureau of the PDC. He is currently the Chairman of Labour Union of Chengyu Company.

Madam Yang Jingfan: aged 48, graduated from Business School of Sichuan University with an MBA degree. She is in immediate rank for political work. From 1991, she had been the deputy office chief of the Management Division of Sichuan Dajian Road, deputy officer of Sichuan Major Highway Construction Directorate, head of the Human Resources Division of the Expressway Administration Bureau of the PDC, and manager of the human resource department of Chengyu Company. She is currently the manager of the Supervision Department and Auditing Department of Chengyu Company.

Mr. Dong Zhi: aged 29, graduated from Capital University of Economics and Business with a major in Economics, and has obtained a master degree in Economics. Mr. Dong worked in the Beijing construction department of China Road and Bridge Corporation International Company Limited. He now holds post in the department of shares management of Huajian Transportation Economic Development Center, a substantial shareholder of the Company; and serves concurrently as a supervisor of Northeast Expressway Company Limited (a company listed on the Shanghai Stock Exchange) and a supervisor of Anhui Expressway Company Limited (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) and the supervisor of Jilin Expressway Company Limited (吉林高速公路股份有限公司).

(3) Biographies of other Senior Management are as follows:

Mr. Zhang Zhiying, please refer to the biographies of directors.

Mr. Liu Mingli, please refer to the biographies of directors.

Mr. Gan Yongyi: aged 46, graduated from Chongqing Jiaotong College and is a senior engineer. He was the deputy general manager of Sichuan Road and Bridge Company Limited. He is currently the Deputy General Manager of Chengyu Company.

Mr. Luo Maoquan: aged 44, graduated from the Faculty of Law of Sichuan University. He was an officer of the Policy Research Office of the SPDC, deputy office chief, chief, head of the human resources division, member of the sub-group of party committee, deputy director, secretary of the sub-group of party committee, commander of the Chengmian (le) Expressway Construction Directorate, He is currently the deputy general manager of Chengyu Company and the general manager and party secretary of Chengya Branch of Chengyu Company.

Mr. Lin Binhai: aged 50, graduated from the Research Centre of Renmin University of China with an MBA degree and obtained an MBA degree from Burlington Commerce College by distance education. He was a political commissar and party secretary of an arsenal factory of the People's Liberation Army. He is currently the deputy party secretary of Chengyu Company and the secretary to the Discipline Committee.

Mr. Liu Junjie: aged 45, graduated from Sichuan Suining Normal School, Northern Sichuan Education College (majoring in Biology) and the Department of Industrial Economics of Graduate School of Chinese Academy of Social Science, holds a master's degree. He had served as the deputy chief of the general section of the Committee Office of Ganzi Prefecture, deputy secretary, principal staff member and deputy director of the Committee Office of Aba Prefecture, director of the inspection division of the Committee of Aba Prefecture, deputy mayor of Xiangtang County, deputy secretary of the County Committee of Lixang County, deputy head of the Bureau of Water Resources of Aba Prefecture and deputy director of the Safety Supervision and Management Office of the SPDC, He is now the deputy general manager of Chengyu Company.

Mr. Zhang Yongnian: aged 47, graduated from the Faculty of Law of Sichuan University. He served as judicial officer of the People's Court of Emeishan City, Sichuan Province, deputy chief of the Criminal Judicial Tribunal, deputy chief of the former Chengyu Expressway's Long Quan Management Office, deputy head of Road Section of Chengyu Expressway Management Office, deputy head of the Policy and Regulation Division of the Expressway Administration Bureau of the SPDC, the office chief of the board of directors of Chengyu Company, and a director of Chengyu Company. He is currently the Secretary to the board of Chengyu Company.

Mr. Li Guogang: aged 60, passed the self-study examination of higher education in 1989 with a major in accounting and is a senior accountant and senior consultant. He had been the chief officer of Accounting Division of Traffic Bureau of Ganzi Autonomous Prefecture, Sichuan Province, deputy chief and chief of Financial Division of the Expressway Administration Bureau of the SPDC and the manager of Financial Department of the Company. He is currently the Chief Financial Controller of Chengyu Company.

(4) Biographies of directors and supervisors who resigned during the Reporting Period are as follows:

Mr. Nie Xinquan: director, aged 43, graduated from the Faculty of Mathematics at Henan University with a bachelor's degree and from Renmin University of China with master degree. He had worked at the Personnel and Labour Department of the Ministry of Communication of China, Huajian Centre and Hualian Highway Engineering and Materials Company. He had been appointed as the deputy general manager, director and general manager of Hualian Company, the director of Pan Jin Northern Asphalt Company Limited, the manager of the State Capital Custodian Department and the Equity Management Department I of Huajian Centre. He had also been a director of Henan Zhongyuan Expressway Company Limited (a company listed on the Shanghai Stock Exchange), Hua Bei Expressway Company Limited (a company listed on the Shenzhen Stock Exchange), Hubei Chutian Expressway Company Limited (a company listed on the Shanghai Stock Exchange) and Shandong Expressway Company Limited (a company listed on the Shanghai Stock Exchange).

Mr. Liu Xianfu, aged 45, served successively as supervisor and director of the Company, a senior accountant. He graduated from Changsha Jiaotong College with a bachelor's degree. He had worked as an officer, deputy supervisor, supervisor, deputy director and director at the Audit Department of the Ministry of Communication of China（原交通部審計局）, manager of the Planning and Finance Department of Huajian Centre and supervisor of the Finance Department of China Merchants Group. He is currently the financial controller of Huajian Centre, vice chairman of the fifth board of directors of Guangxi Wu Zhou Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange), director of Hubei Chutian Expressway Co., Ltd. (a company listed on the Shanghai Stock Exchange) and Anhui Expressway Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) as well as the chairman of supervisory committee of North East Expressway Co., Ltd. (a company listed on the Shanghai Stock Exchange).

Madam Luo Yi: supervisor, aged 37, registered accountant, graduated from Changsha Jiaotong College with a bachelor degree in financial accounting. She had worked as deputy supervisor of Finance Department of the China Merchants Group Limited, financial controller of the China Merchants Insurance Co., Ltd., deputy manager of the Finance Department of Houlder China Insurance Brokers Limited, manager of the Finance Department of China Merchants Group (Beijing) Co., Ltd., supervisor and director of Shandong Expressway Co., Ltd. (a company listed on the Shanghai Stock Exchange), and supervisor of Jiangsu Expressway Co., Ltd. (a company listed on the Shanghai Stock Exchange and the Hong Kong Stock Exchange) and Guangxi Wu Zhou Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange). She is currently the director and chief financial officer of Hua Bei Expressway Co., Ltd. (a company listed on the Shenzhen Stock Exchange).

III. Changes of Directors, Supervisors and Senior Management during the Reporting Period

The first extraordinary general meeting for 2009 was held on 23 January 2009 at which the appointment of Mr. Liu Xianfu as the Company's executive Director and Madam Luo Yi as the Company's Supervisor, and the resignation of Mr. Nie Xinquan as the Company's Director, and the resignation of Mr. Liu Xianfu as the Company's Supervisor were considered and approved.

The resignation of Mr. Nie Xinquan as the Company's Director and the resignation of Mr. Liu Xianfu as the Company's Supervisor were due to the ordinary job arrangements.

The fourth extraordinary general meeting for 2009 was held on 13 October 2009 at which the appointment of Madam Hu Yu as the Company's executive Director; and Mr. Dong Zhi as the Company's Supervisor; and the resignation of Mr. Liu Xianfu as the Company's Director; and the resignation of Madam Luo Yi as the Company's Supervisor were considered and approved. The resignation of Mr. Liu Xianfu as the Company's Director and the resignation of Madam Luo Yi as the Company's Supervisor were due to the ordinary job arrangements.

The Board expresses its deep appreciation for the dedicated efforts extended by the retiring directors and supervisors.

The 18th meeting of the fourth session of the Board of the Company was convened on 31 March 2009 to approve the appointment of Mr. Liu Junjie as the deputy general manager of the Company according to the needs of operation and management of the Company.

IV. Overview of Employees

As at 31 December 2009, the Company (including its subsidiaries) had 1,714 employees and 30 retirees. Composition of employees is as follows:

1. Composition by Expertise

Type of expertise	Number
Management (including professional technicians)	398
Technicians	1,316

2. Composition by Educational Level

Educational level	Number
Postgraduate	31
University graduate	325
Junior college graduate or below	1,358

3. Employee's Remuneration

The total remuneration of the employees is correlated with the operating results of the Company. The salary of the Company's employees comprises fixed wage (including basic salary, and salaries determined by the position and period of service) and performance incentive. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. The employees' salary totalled RMB87,510,000 for the year ended 31 December 2009.

4. Employee's Insurance and Welfare

The Company cherishes employees and protects their lawful interests. The Company improved various types of social insurance for employees in strict compliance with all applicable Chinese labor security policies. Expenses for various types of social insurance for retirement, healthcare, unemployment, work related injury, child birth and accident have been paid in full by the Company for the employees. Meanwhile, the Company made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

5. Staff Training

The Company highly values staff training. It held training courses of various kinds to improve the comprehensive quality and business standard of the employees at various levels. During the Year, the Company organised various skills training for various positions in respect of transportation and production safety, financial software, job-specific skills as well as further education for professional technical staff and other concentrated and theme trainings. A total of 2,650 employees have attended the above training courses.

To all shareholders:

In the year 2009, all members of the Supervisory Committee have strictly complied with the requirements of the Company Law of the People's Republic of China, the listing rules of the SSE and the Stock Exchange, the Articles of Association of the Company and the Rules of Procedure of the Supervisory Committee. Under the principle of good faith, they performed their duties prudently and actively with an aim to safeguard the interest of the Company and the shareholders.

I. Meetings of the Supervisory Committee Convened during the Year

During the Year, the Supervisory Committee held four meetings which are detailed as follows:

Meetings of the Supervisory Committee	Meeting Date	Topics
The 6th Meeting of the Fourth Session of the Supervisory Committee	23 January 2009	Considering matters including the Company's 2008 Annual Results Report
The 7th Meeting of the Fourth Session of the Supervisory Committee	13 May 2009	Considering the proposed investment project of construction of the Chengdu-Meishan Section of Chengdu-Zigong-Luzhou-Chishui (board between Sichuan and Guizhou) Expressway and the relating matters.
The 8th Meeting of the Fourth Session of the Supervisory Committee	18 August 2009	Considering matters including the Company's 2009 Interim Report and the distribution plan for interim dividend
The 9th Meeting of the Fourth Session of the Supervisory Committee	27 October 2009	Considering the Company's 2009 Third Quarterly Results Report

II. Independent Opinions of the Supervisory Committee

1. Independent opinions of the Supervisory Committee on compliance of the Company's operations with legal requirements

During the Reporting Period, the supervisors of the Company attended all general meetings and meetings of the Board as non-voting participants and honestly supervised and checked the convening procedures of the meetings, resolutions and execution of the written resolutions of aforesaid meetings, and effectively supervised the whole process of the directors and senior management members' operation and management and the implementation of the Company's decisions.

The Supervisory Committee is of the opinion that formulation procedures of Company's systems are normal, and the Board and senior management of the Company are able to carry out standard operations in strict compliance with relevant laws and regulations, perform their own duties and execute the resolutions and authorizations of the general meeting with the attitude of fidelity and due diligence and from the perspective of safeguarding the interests of the shareholders and the Company, with no breach of laws and regulations, or conducts of misusing authority or damaging the interests of the Company, its shareholders and employees.

2. Independent opinions of the Supervisory Committee on the Company's financial position

Having cautiously reviewed the Company's 2009 Interim Results Report, the Third Quarterly Results Reports, Annual Results Report and other accounting information, the Supervisory Committee is of the opinion that the Company's financial income/expenditure is clear, accounting and financial management are all in line with relevant regulations without problems. The Company's domestic and overseas accountants, ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants have respectively audited the 2009 Annual Financial Reports under PRC GAAP and Hong Kong Accounting Standards, and have issued auditors' reports with standard unqualified opinions. The Supervisory Committee is of the view that the audit reports have reflected actual situations of the Company's financial income/expenditure, operation results and cash flow.

3. Independent opinions of the Supervisory Committee on the actual use of the latest raised proceeds

After having carefully reviewed the actual use of the latest raised proceeds of the Company, the Supervisory Committee believes that the net proceeds of approximately RMB1,740 million raised through the A Share Issue on 27 July 2009 had been fully applied in 2009 in the projects as stated in the prospectus.

4. Independent opinions of the Supervisory Committee on acquisition and sale of assets by the Company

During the Year, the company completed the acquisition of 100% equity interest in Chengle Company which was financed through self-raised funds of the Company. Subsequently, the Company replaced the self-raised funds with the proceeds from the A Share Issue. With regard to such transactions, the Supervisory Committee is of the view that the consideration and procedure of the transactions are fair and reasonable and in the interest of the Company and its shareholders as a whole, no insider transaction was involved and no damage to the interest of the shareholders or loss of assets of the Company was discovered.

5. Independent opinions of the Supervisory Committee on the Company's connected transactions

Saved as the connected transactions disclosed in Note 31 to the financial statements, the Company had no other connected transactions during the Year. In the opinion of the Supervisory Committee, the Company's connected transactions during 2009 were conducted on a just, fair and open basis and at reasonable considerations, and no circumstances was discovered in which insider transactions were involved or the Board breached the principle of good faith in decision-making, execution of agreement or information disclosure.

The Supervisory Committee of the Company will abide by 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

Feng Bing
Chairman of the Supervisory Committee

Chengdu, Sichuan, the PRC
9 March 2010

ERNST & YOUNG
安 永

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

We have audited the financial statements of Sichuan Expressway Company Limited set out on pages 70 to 144, which comprise the consolidated and company statements of financial position as at 31 December 2009, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows 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 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.

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. Our report is made 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 auditors' 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 auditors consider 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 financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2009 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.

Ernst & Young
Certified Public Accountants

18/F, Two International Finance Centre
8 Finance Street, Central
Hong Kong

9 March 2010

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
REVENUE	4	**1,878,814**	1,610,309
Other income and gains	4	**605,028**	264,193
Depreciation and amortisation expenses	5	**(357,394)**	(346,848)
Employee costs	5	**(193,782)**	(175,804)
Other operating expenses		**(811,172)**	(437,693)
Finance costs	6	**(146,878)**	(218,065)
Share of profits and losses of associates		**11,430**	5,757
PROFIT BEFORE TAX	5	**986,046**	701,849
Income tax expense	8	**(148,475)**	(104,269)
PROFIT FOR THE YEAR		**837,571**	597,580
Other comprehensive income		**–**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**837,571**	597,580
Attributable to:			
Owners of the Company	9	**827,475**	591,660
Minority interests		**10,096**	5,920
		837,571	597,580
EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY			
Basic and diluted	10	**RMB0.299**	RMB0.231

Details of the dividends payable and proposed for the year are disclosed in note 27 to the financial statements.

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
NON-CURRENT ASSETS			
Property, plant and equipment	11	**514,154**	552,018
Service concession arrangements	12	**7,043,697**	6,803,469
Prepaid land lease payments	13	**605,142**	637,300
Interests in associates	15	**63,807**	58,064
Available-for-sale investments	16	**33,295**	33,295
Long term compensation receivables	17	**74,544**	76,846
Payments in advance	18	**399,095**	100,000
Deferred tax assets	19	**–**	701
Total non-current assets		**8,733,734**	8,261,693
CURRENT ASSETS			
Inventories	20	**20,609**	21,617
Prepayments, deposits and other receivables	21	**44,717**	41,343
Due from the ultimate holding company	31(c)	**955**	2,093
Cash and bank balances	22	**1,805,762**	1,507,615
Total current assets		**1,872,043**	1,572,668
CURRENT LIABILITIES			
Tax payable		**76,687**	42,187
Other payables and accruals	23	**486,037**	267,999
Interest-bearing bank and other loans	24	**2,098,327**	1,607,727
Total current liabilities		**2,661,051**	1,917,913
NET CURRENT LIABILITIES	2.4	**(789,008)**	(345,245)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,944,726**	7,916,448

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	24	**499,036**	1,547,964
Net assets		**7,445,690**	6,368,484
EQUITY			
Equity attributable to owners of the Company			
Issued capital	25	**3,058,060**	2,558,060
Reserves	26	**4,088,341**	3,707,199
Proposed final dividend	27(b)	**195,716**	—
		7,342,117	6,265,259
Minority interests		**103,573**	103,225
Total equity		**7,445,690**	6,368,484

Tong Yong
Director

Zhang Zhiying
Director

		Attributable to owners of the Company										
	Note	Issued capital RMB'000	Share premium account RMB'000	Statutory surplus reserve RMB'000 (note 26(a))	General surplus reserve RMB'000	Difference arising from acquisition of minority interests RMB'000	Merger difference RMB'000 (note 26)	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Minority interests RMB'000	Total equity RMB'000
At 1 January 2008												
As previously stated		2,558,060	1,413,597	478,827	447,115	(243,712)	–	605,282	–	5,259,169	101,610	5,360,779
Effect of combination under common control	2.1	–	–	–	–	–	556,192	(141,762)	–	414,430	3,426	417,856
As restated		2,558,060	1,413,597	478,827	447,115	(243,712)	556,192	463,520	–	5,673,599	105,036	5,778,635
Total comprehensive income for the year (restated)		–	–	–	–	–	–	591,660	–	591,660	5,920	597,580
Transfer from/(to) reserve		–	–	163,896	–	–	–	(163,896)	–	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(7,731)	(7,731)
At 31 December 2008		2,558,060	1,413,597	642,723	447,115	(243,712)	556,192	891,284	–	6,265,259	103,225	6,368,484

		Attributable to owners of the Company										
	Notes	Issued capital *RMB'000*	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000* (note 26 (a))	General surplus reserve *RMB'000*	Difference arising from acquisition of minority interests *RMB'000*	Merger difference *RMB'000* (note 26)	Retained profits *RMB'000*	Proposed final dividend *RMB'000*	Total *RMB'000*	Minority interests *RMB'000*	Total equity *RMB'000*
At 1 January 2009												
As previously sated		2,558,060	1,413,597	642,723	447,115	(243,712)	–	985,879	–	5,803,662	99,409	5,903,071
Effect of combination under common control	2.1						556,192	(94,595)	–	461,597	3,816	465,413
As restated		2,558,060	1,413,597	642,723	447,115	(243,712)	556,192	891,284	–	6,265,259	103,225	6,368,484
Acquisition of a subsidiary under common control	2.1	–	–	–	–	–	(1,089,315)	–	–	(1,089,315)	–	(1,089,315)
Acquisition of minority interests of a subsidiary	14	–	–	–	–	(4,758)	–	–	–	(4,758)	(4,248)	(9,006)
Issue of A Shares	25	500,000	1,300,000	–	–	–	–	–	–	1,800,000	–	1,800,000
Share issue expenses	25	–	(58,996)	–	–	–	–	–	–	(58,996)	–	(58,996)
Total comprehensive income for the year		–	–	–	–	–	–	827,475	–	827,475	10,096	837,571
Transfer from/(to) reserves		–	–	74,158	139,034	–	–	(213,192)	–	–	–	–
Dividends paid to minority shareholders		–	–	–	–	–	–	–	–	–	(5,500)	(5,500)
Interim 2009 dividend	27(b)	–	–	–	–	–	–	(397,548)	–	(397,548)	–	(397,548)
Proposed final 2009 dividend	27(b)	–	–	–	–	–	–	(195,716)	195,716	–	–	–
At 31 December 2009		3,058,060	2,654,601*	716,881*	586,149*	(248,470)*	(533,123)*	912,303*	195,716	7,342,117	103,573	7,445,690

* These reserve accounts comprise the consolidated reserves of RMB4,088,341,000 (2008: RMB3,707,199,000) in the consolidated statement of financial position.

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		986,046	701,849
Adjustments for:			
Finance costs		146,490	217,001
Share of profits and losses of associates		(11,430)	(5,757)
Depreciation	5, 11	102,019	110,255
Recognition of prepaid land lease payments	5, 13	32,158	32,086
Amortisation of service concession arrangements	5, 12	223,217	204,507
Impairment of other receivables, net	5	(509)	(7,596)
Loss on disposal of items of property, plant and equipment	5	4,578	3,974
Interest income	4	(27,276)	(29,672)
Dividend income from available-for-sale investments	4	(1,345)	–
		1,453,948	1,226,647
Additions to service concession arrangements		(463,445)	(169,636)
Increase in payments in advance		(399,095)	–
Decrease/(increase) in prepayments, deposits and other receivables		(5,589)	20,420
Decrease/(increase) in inventories		1,008	(9,098)
Decrease in amounts due from the ultimate holding company		1,138	1,195
Increase/(decrease) in other payables and accruals		297,010	(36,116)
Cash generated from operations		884,975	1,033,412
Income tax paid		(113,274)	(104,720)
Net cash flows from operating activities		771,701	928,692

	2009 RMB'000	2008 RMB'000 (Restated)
Net cash flows from operating activities	**771,701**	928,692
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in pledged time deposits and time deposits with maturity of over three months	**(20,634)**	(82,373)
Purchases of items of property, plant and equipment	**(69,049)**	(40,705)
Proceeds from/(cost incurred on) disposal of items of property, plant and equipment	**316**	(222)
Acquisition of a subsidiary under common control	**(990,135)**	–
Purchases of minority interests:		
– Sichuan Expressway Company Limited Chengya Branch	**–**	(5,658)
– Sichuan Chengle Expressway Company Limited	**(8,186)**	–
Interest received	**27,133**	29,672
Dividend received from an associate	**5,687**	5,201
Dividend received from available-for-sale investments	**1,345**	–
Net cash flows used in investing activities	**(1,053,523)**	(94,085)

	Note	2009 RMB'000	2008 RMB'000 (Restated)
Net cash inflows/(outflows) before financing activities		(281,822)	834,607
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		(217,054)	(124,003)
Dividends paid		(397,686)	–
Dividends paid to minority shareholders		(5,500)	(7,731)
Proceeds from A Shares issue		1,800,000	–
Share issue expenses		(53,627)	–
Proceeds from bank loans		3,162,000	45,000
Proceeds from short term commercial papers		2,000,000	1,500,000
Costs on the issuance of commercial papers		(8,470)	(6,105)
Repayment of short term commercial papers		(1,500,000)	–
Repayment of bank loans		(4,197,600)	(1,177,000)
Repayment of a trust loan		–	(499,047)
Repayment of other loans		(22,728)	(22,727)
Net cash flows from/(used in) financing activities		559,335	(291,613)
NET INCREASE IN CASH AND CASH EQUIVALENTS		277,513	542,994
Cash and cash equivalents at beginning of year		1,407,839	864,845
CASH AND CASH EQUIVALENTS AT END OF YEAR		1,685,352	1,407,839
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	22		
Cash and bank balances		1,527,195	1,263,554
Time deposits with original maturity of less than three months		158,157	144,285
		1,685,352	1,407,839

Statement of Financial Position

	Notes	2009 RMB'000	2008 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	11	**331,149**	344,433
Service concession arrangements	12	**5,646,696**	5,358,422
Prepaid land lease payments	13	**415,942**	437,776
Investments in subsidiaries	14	**1,531,817**	433,496
Investments in associates	15	**39,428**	39,428
Available-for-sale investments	16	**21,500**	21,500
Payments in advance	18	**399,095**	100,000
Total non-current assets		**8,385,627**	6,735,055
CURRENT ASSETS			
Inventories	20	**197**	197
Prepayments, deposits and other receivables	21	**25,620**	21,828
Due from subsidiaries	14	**665,865**	41,197
Cash and bank balances	22	**1,257,041**	810,863
Total current assets		**1,948,723**	874,085
CURRENT LIABILITIES			
Tax payable		**56,226**	41,470
Other payables and accruals	23	**361,130**	174,184
Interest-bearing bank and other loans	24	**2,022,727**	1,522,727
Due to subsidiaries	14	**55,865**	41,739
Total current liabilities		**2,495,948**	1,780,120
NET CURRENT LIABILITIES	2.4	**(547,225)**	(906,035)
TOTAL ASSETS LESS CURRENT LIABILITIES		**7,838,402**	5,829,020
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	24	**88,636**	111,364
Net assets		**7,749,766**	5,717,656
EQUITY			
Issued capital	25	**3,058,060**	2,558,060
Reserves	26	**4,495,990**	3,159,596
Proposed final dividend	27(b)	**195,716**	—
Total equity		**7,749,766**	5,717,656

1. CORPORATE INFORMATION

Sichuan Expressway Company Limited (the "Company") is a limited liability company established in the People's Republic of China (the "PRC"). The registered office of the Company is located at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") were the investment holding, construction, management and operation of expressways and a high-grade toll bridge.

The Company's H Shares were listed on the Main Board of the Stock Exchange of Hong Kong Limited since 1997 (the "H Shares Listing"). Upon the completion of the H Shares Listing, Sichuan Highway Development Holding Company ("Sichuan Highway Development") held a 65% equity interest in the Company. On 7 December 2000, pursuant to the relevant provisions regarding the restructuring of the PRC domestic shareholdings issued by the State Ministry of Finance and the State Ministry of Communications, Sichuan Highway Development transferred a 25.7% equity interest in the Company to Huajian Communications and Economic Development Centre ("Huajian Centre"). After the completion of the transfer, Sichuan Highway Development and Huajian Centre held 39.3% and 25.7% equity interests in the Company, respectively. Both Sichuan Highway Development and Huajian Centre are state-owned enterprises established in the PRC.

In the opinion of the directors, the parent and the ultimate holding company of the Company is Sichuan Highway Development, which exercises de facto control over the Company.

On 15 July 2009, the Company issued 500,000,000 new A Shares and listed all of its A Shares on the Shanghai Stock Exchange on 27 July 2009. The number of issued shares in the Company after the new A Shares issue is 3,058,060,000 comprising 895,320,000 H Shares and 2,162,740,000 A Shares. The net proceeds from its new A Shares issue aggregating to approximately RMB1.7 billion.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which also include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance ("HK GAAP"). They have been prepared under the historical cost convention. These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(Continued)*

Sichuan Highway Development has owned a 99.18% equity interest and control over Sichuan Chengle Expressway Company Limited ("Chengle Company") since its incorporation. Pursuant to a series of acquisition agreements entered into among the Company, Sichuan Highway Development and Leshan City Xing Yuan Traffic Development Holding Company ("Xing Yuan Company") (collectively the "Vendors"), the Company acquired from Sichuan Highway Development and Xing Yuan Company of their respective 99.18% and 0.82% equity interests in Chengle Company, an unlisted company located in Sichuan, the PRC, at total cash consideration of RMB1,098,320,800 (the "Consideration"). Upon the completion of the acquisition on 23 June 2009, Chengle Company became a wholly-owned subsidiary of the Company. As the Company and Chengle Company are ultimately under common control before and after the acquisition, and that control is not transitory, the acquisition of the 99.18% equity interest in Chengle Company from Sichuan Highway Development has been accounted for as a business combination of entities under common control.

Accordingly, the consolidated financial statements have been prepared by using the principles of merger accounting in accordance with Hong Kong Accounting Guideline 5 "*Merger Accounting for Common Control Combinations*" issued by the HKICPA, as if the current group structure had been in existence throughout the two years ended 31 December 2009, or since their respective dates of incorporation/registration, whichever is the shorter period, to the extent of interest held by the Company. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full. Accordingly, the comparative figures of the consolidated financial statements have been restated.

In addition, the Company's acquisition of a 0.82% equity interest in Chengle Company held by Xing Yuan Company is accounted for using the entity concept method and the difference between the consideration paid to Xing Yuan Company and the book value of the share of the net assets acquired from Xing Yuan Company is recognised as an equity transaction.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2009. Other than the acquisition of Chengle Company under common control, the results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All income, expenses and unrealised gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full.

Minority interests represent the interests of outside shareholders not held by the Group in the results and net assets of the Company's subsidiaries. An acquisition of minority interests is accounted for using the entity concept method whereby the difference between the consideration and the book value of the share of the net assets acquired is recognised as an equity transaction.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 and HKAS 27 Amendments	Amendments to HKFRS 1 *First-time Adoption of HKFRSs* and HKAS 27 *Consolidated and Separate Financial Statements — Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment - Vesting Conditions and Cancellations*
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Improving Disclosures about Financial Instruments*
HKAS 1 (Revised)	*Presentation of Financial Statements*
HKAS 18 Amendment*	Amendment to Appendix to HKAS 18 *Revenue — Determining whether an entity is acting as a principal or as an agent*
HKAS 23 (Revised)	*Borrowing Costs*
HKAS 32 and HKAS 1 Amendments	Amendments to HKAS 32 *Financial Instruments: Presentation* and HKAS 1 *Presentation of Financial Statements — Puttable Financial Instruments and Obligations Arising on Liquidation*
HK(IFRIC)-Int 9 and HKAS 39 Amendments	Amendments to HK(IFRIC)-Int 9 *Reassessment of Embedded Derivatives* and HKAS 39 *Financial Instruments: Recognition and Measurement — Embedded Derivatives*
HK(IFRIC)-Int 13	*Customer Loyalty Programmes*
HK(IFRIC)-Int 15	*Agreements for the Construction of Real Estate*
HK(IFRIC)-Int 16	*Hedges of a Net Investment in a Foreign Operation*
HK(IFRIC)-Int 18	*Transfers of Assets from Customers* (adopted from 1 July 2009)
Improvements to HKFRSs (October 2008)**	Amendments to a number of HKFRSs

* Included in Improvements to *HKFRSs 2009* (as issued in May 2009).

** The Group adopted all the improvements to HKFRSs issued in October 2008 except for the amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary,* which is effective for annual periods beginning on or after 1 July 2009.

Other than as further explained below regarding to the impact of HKAS 1 (Revised), the adoption of these new and revised HKFRSs has had no significant financial effect on these financial statements and there have been no significant changes to the accounting policies applied in these financial statements.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

HKAS 1 (Revised) introduces changes in the presentation and disclosures of financial statements. The revised standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with all non-owners changes in equity presented as a single line. In addition, this standard introduces the statement of comprehensive income, with all items of income and expenses recognised in the profit or loss, together with all other items of recognised income and expenses recognised directly in equity, either in one single statement, or in two linked statements. The Group has elected to present comprehensive income in one single statement.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but not yet effective, in these financial statements.

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards* [1]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters* [2]
HKFRS 1 Amendment	*Limited Exemption from Comparatives HKFRS 7 Disclosures for First-time Adopters* [4]
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions* [2]
HKFRS 3 (Revised)	*Business Combinations* [1]
HKFRS 9	*Financial Instruments* [6]
HKAS 24 (Revised)	*Related Party Disclosures* [5]
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements* [1]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues* [3]
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [5]
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners* [1]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [4]
Amendments to HKFRS 5 included in *Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary* [1]
HK Interpretation 4 (Revised in December 2009)	*Leases — Determination of the Length of Lease Term in respect of Hong Kong Land Leases* [2]

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

Apart from the above, the HKICPA has also issued *Improvements to HKFRSs 2009* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 2, HKAS 38, HK(IFRIC)-Int 9 and HK(IFRIC)-Int 16 are effective for annual periods beginning on or after 1 July 2009 while the amendments to HKFRS 5, HKFRS 8, HKAS 1, HKAS 7, HKAS 17, HKAS 36 and HKAS 39 are effective for annual periods beginning on or after 1 January 2010 although there are separate transitional provisions for each standard or interpretation.

[1] Effective for annual periods beginning on or after 1 July 2009
[2] Effective for annual periods beginning on or after 1 January 2010
[3] Effective for annual periods beginning on or after 1 February 2010
[4] Effective for annual periods beginning on or after 1 July 2010
[5] Effective for annual periods beginning on or after 1 January 2011
[6] Effective for annual periods beginning on or after 1 January 2013

The Group is in the process of making an assessment of the impact of these new and revised HKFRSs upon initial application. So for, the Group considers that these new and revised HKFRSs are unlikely to have a significant impact on the Group's results of operations and the financial position.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fundamental accounting concept

As at 31 December 2009, the current liabilities of the Group exceeded its current assets by approximately RMB789.0 million. The directors prepared these consolidated financial statements on a going concern basis notwithstanding the net current liabilities position because based on the correspondence received by the directors, banking facilities amounting to RMB1.69 billion, RMB1.5 billion, RMB1.0 billion and RMB0.5 billion granted by China Construction Bank, China Citic Bank, Postal Savings Bank of China and Bank of China, respectively, are available to the Group for the next one or two years. As at 31 December 2009, all the above available banking facilities remained unutilised.

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's interests in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit or loss and consolidated reserves, respectively. Unrealised gains or losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's interests in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred.

The results of the associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and stated at cost less any impairment losses.

Impairment of non-financial assets other than goodwill

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, road maintenance contracts, deferred tax assets, financial assets and goodwill), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to the profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets other than goodwill *(Continued)*

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation), had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to the profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party, directly or indirectly through one or more intermediaries, (i) controls, is controlled by, or is under common control with, the Group; (ii) has an interest in the Group that gives it significant influence over the Group; or (iii) has joint control over the Group;

(b) the party is an associate;

(c) the party is a member of the key management personnel of the Group or its parent;

(d) the party is a close member of the family of any individual referred to in (a) or (e); or

(e) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (c) or (d).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use. Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to the profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

Depreciation is calculated on the straight-line basis to write off their costs to their estimated residual values over their remaining estimated useful lives. The principal estimated useful lives used for this purpose are as follows:

Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	8 years
Buildings	30 years
Machinery and equipment	5–10 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately.

Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement of an item of property, plant and equipment recognised in the profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant item.

Construction in progress represents safety equipment, communication and signalling systems under construction, which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the purchase price of equipment and costs of construction, installation and testing incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements

Service concession arrangements represent the rights to charge users of the public service, that the Group obtained under the service concession arrangements. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures such as repairs and maintenance are charged to the profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

Amortisation of service concession arrangements is calculated to write off their costs on a unit-of-usage basis whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements.

It is the Group's policy to review regularly the projected total traffic volume throughout the concession periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

Costs incurred during the period of construction of underlying assets of a service concession arrangement are recorded in service concession arrangements and will be amortised upon the commencement of operation of the service concession arrangement.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, loans and receivables, and available-for-sale financial assets, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Initial recognition and measurement *(Continued)*

The Group's financial assets include cash and bank balances, prepayments, deposits and other receivables and due from the ultimate holding company.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of sale in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by HKAS 39. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets at fair value through profit or loss are carried in the statement of financial position at fair value with changes in fair value recognised in the profit or loss. These net fair value changes do not include any dividends on these financial assets, which are recognised in accordance with the policy set out for "Revenue recognition" below.

The Group evaluates its financial assets at fair value through profit or loss (held for trading) to assess whether the intent to sell them in the near term is still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to sell them in the foreseeable future significantly changes, the Group may elect to reclassify these financial assets in rare circumstances. The reclassification from financial assets at fair value through profit or loss to loans and receivables, available-for-sale financial assets or held-to-maturity investments depends on the nature of assets.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not held for trading or designated at fair value through profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in the profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance income in the profit or loss. The loss arising from impairment is recognised in the profit or loss.

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity securities. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment valuation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in the profit or loss in other income, or until the investment is determined to be impaired, at which time the cumulative gain or loss is recognised in the profit or loss and removed from the available-for-sale investment valuation reserve . Interest and dividends earned are reported as interest income and dividend income, respectively and are recognised in the profit or loss as other income in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity securities cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment, or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such securities are stated at cost less any impairment losses.

The Group evaluates its available-for-sale financial assets whether the ability and intention to sell them in the near term are still appropriate. When the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets in rare circumstances. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. The reclassification to the held-to-maturity category is permitted only when the entity has the ability and intent to hold until the maturity date of the financial asset.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments *(Continued)*

For a financial asset reclassified out of the available-for-sale category, any previous gain or loss on that asset that has been recognised in equity is amortised to the profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the expected cash flows is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to the profit or loss.

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;

- the Group has transferred its rights to receive cash flows from the asset, or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced either directly or through the use of an allowance account and the amount of the loss is recognised in the profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost *(Continued)*

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to the profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in the profit or loss, is removed from other comprehensive income and recognised in the profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in the profit or loss — is removed from other comprehensive income and recognised in the profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through the statement of comprehensive income. Increases in their fair value after impairment are recognised directly in other comprehensive income.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value and in the case of loans and borrowings, plus directly attributable transaction costs.

The Group's financial liabilities include other payables and accruals, and interest-bearing bank and other loans.

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in the profit or loss when the liabilities are derecognised as well as through the effective interest rate method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in the profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in the profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories comprise spare parts and consumable supplies for the repairs and maintenance of expressways and are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated cost to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally less than three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Construction and upgrade services

The Group recognises income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with HKAS 11 *Construction Contracts*.

Revenue generated by construction and upgrade services rendered by the Group is measured at fair value of the consideration received or receivable. The consideration represents the rights to attain an intangible asset.

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Provision is made for foreseeable losses as soon as they are anticipated by management.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Road maintenance contracts

Contract revenue from road maintenance comprises the agreed contract amounts and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price road maintenance contracts is recognised on the percentage of completion method, measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract.

Provision is made for foreseeable losses as soon as they are anticipated by management.

Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers.

Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

Employee benefits

The retirement benefits in the form of contributions under defined contribution retirement schemes are charged to the profit or loss as incurred.

Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre are charged to the profit or loss as incurred.

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to the profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to the profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating lease are initially stated at cost and subsequently recognised on the straight-line basis over lease terms.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Foreign currencies

These financial statements are presented in Renminbi ("RMB"), which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences are taken to the profit or loss. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in the profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity. PRC income tax is provided at rates applicable to enterprises established in the PRC on the income for financial reporting purposes, adjusted for income and expense items which are not assessable or deductible for income tax purposes based on existing PRC income tax legislation, practices and interpretations thereof.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carryforward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carryforward of unused tax credits and unused tax losses can be utilised, except:

- where the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) toll revenue, net of any applicable revenue taxes when received;

(b) revenue associated with construction and upgrade services provided under the service concession arrangements is recognised using the percentage of completion method, as further explained in the accounting policy for "Construction and upgrade services";

(c) road maintenance income, on the percentage of completion basis, as further explained in the accounting policy for "Road maintenance contracts" above;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that discounts the estimated future cash receipts through the expected life of the financial instrument to the net carrying amount of the financial asset; and

(f) dividend income, when a shareholder's right to receive payment has been established.

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate. Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to the profit or loss over the expected useful life of the relevant asset by equal annual instalments.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, 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.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(a) Impairment assessment for bad and doubtful debts

Provision for bad and doubtful debts is made based on an assessment of the recoverability of other receivables. The identification of bad and doubtful debts requires management judgement and estimates. Where the actual outcome or expectation in future is different from the original estimate, such differences will impact on the carrying value of the receivables in the period in which such estimate has changed.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(c) Percentage of completion of construction and upgrade service provided under service concession arrangements

The Group recognises income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with HKAS 11 Construction Contracts. The Group recognised construction revenue under service concession arrangements according to the percentage of completion of individual contract of construction and upgrade service work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. During the year, the construction revenue and construction costs under service concession arrangements recognised by the Group amounted to RMB463,445,000 and RMB449,772,000, respectively, (2008: RMB169,636,000 and RMB170,892,000, respectively) using the percentage of completion of method.

(d) Amortisation of costs of service concession arrangements

Amortisation of costs of service concession arrangements is calculated under the unit-of-usage method, whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements. The projected total traffic volume over the respective concession periods could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume.

(e) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold.

2.5 SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(f) Discounted value of long term compensation receivables

The discounted value of long term compensation receivables in the future have been discounted using an imputed rate of interest of 13.92% after taking into account the risk premium associated with the credit risk incurred. The use of discounted rate requires the Group to make estimates about the imputed rate of interest, and hence it is subject to uncertainty. The net present value of long term receivables at 31 December 2009 was RMB76,847,000 (2008: RMB78,868,000). Further details are included in note 17 to the financial statements.

(g) PRC corporate income tax ("CIT")

The Group is subject to CIT in the PRC. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the income tax expenses and tax provisions in the period in which the differences are realised.

3. SEGMENT INFORMATION

The Group has identified its operating segments based on the regular internal financial information reporting to the Group's senior management for its decisions about resources allocation and performance assessment. For the two years ended 31 December 2008 and 2009, the directors concluded that there is no separate reporting segment apart from the toll operation segment. Senior management reviews and assesses the performance on the toll operation segment based on the information available for purpose of allocating resources to the segment and assessing its performance. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

All external revenue of the Group during each of the two years ended 31 December 2009 were attributable to operation of expressways in the PRC, the place of domicile of the Group's operating entities. Meanwhile, the Group's non-current assets are all located in the PRC.

4. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Revenue		
Toll income		
— Chengyu Expressway	960,431	843,929
— Chengya Expressway	550,735	469,318
— Chengle Expressway	340,665	272,481
— Chengbei Exit Expressway and Qinglongchang Bridge	86,951	75,902
	1,938,782	1,661,630
Less: Revenue taxes	(59,968)	(51,321)
	1,878,814	1,610,309
Other income and gains		
Road maintenance income	73,213	34,408
Rental income	22,118	27,400
Construction revenue in respect of service concession arrangements	463,445	169,636
Interest income from bank deposits	16,298	18,447
Interest income from discounting of long term compensation receivables *(note 17)*	10,978	11,225
Government grants	2,500	—
Dividend income from available-for-sale investments	1,345	—
Miscellaneous	15,131	3,077
	605,028	264,193
Total revenue, other income and gains	2,483,842	1,874,502

5. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	2009 RMB'000	2008 RMB'000 (Restated)
Employee costs (including directors' remuneration *(note 7)*):			
Wages and salaries		**122,740**	112,698
Pension scheme contributions			
— Defined contribution fund		**19,253**	17,620
Accommodation benefits			
— Defined contribution fund		**15,245**	14,344
Supplementary pension scheme			
— Defined contribution fund		**7,882**	6,379
Other staff benefits		**28,662**	24,763
		193,782	175,804
Depreciation	11	**102,019**	110,255
Amortisation of service concession arrangements	12	**223,217**	204,507
Recognition of prepaid land lease payments	13	**32,158**	32,086
Depreciation and amortisation expenses		**357,394**	346,848
Repairs and maintenance		**225,457**	155,106
Construction costs in respect of service concession arrangements*		**449,772**	170,892
Minimum lease payments under operating leases:			
Land and buildings		**20,673**	20,401
Auditors' remuneration		**2,296**	1,726
Loss on disposal of items of property, plant and equipment		**4,578**	3,974
Provision for impairment of other receivables	21(a)	**401**	63
Reversal of provision for impairment of other receivables	21(a)	**(910)**	(7,659)

* During the year, depreciation charges of RMB286,000 (2008: nil) is included in the construction costs in respect of service concession arrangements.

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Interest on bank and other loans	120,461	128,209
Interest on short term commercial papers	17,421	82,687
Costs on the issuance of commercial papers	8,470	6,105
Bank charges	526	1,064
	146,878	218,065

7. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Directors

	2009 RMB'000	2008 RMB'000
Fees	240	235
Other emoluments:		
Salaries, allowances and benefits in kind	1,251	1,073
Pension scheme contributions	18	15
Supplementary pension scheme contributions	8	7
	1,277	1,095
	1,517	1,330

7. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Directors *(Continued)*

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2009 RMB'000	2008 RMB'000
Madam Luo Xia	60	60
Mr. Feng Jian	60	60
Mr. Zhao Zesong	60	60
Mr. Xie Bangzhu	60	55
	240	235

There were no other emoluments payable to the independent non-executive directors during the year (2008: nil).

(2) Executive directors

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total RMB'000
2009				
Mr. Tang Yong	218	6	3	227
Mr. Zhang Zhiying	218	6	3	227
Madam Zhang Yang	130	–	–	130
Mr. Gao Chun	130	–	–	130
Mr. Zhou Liming	130	–	–	130
Mr. Wang Shuanming	130	–	–	130
Mr. Liu Mingli	186	6	2	194
Mr. Nie Xinquan	–	–	–	–
Mr. Liu Xianfu	76	–	–	76
Madam Hu Yu	33	–	–	33
	1,251	18	8	1,277

7. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Directors *(Continued)*

(2) Executive directors *(Continued)*

	Salaries allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2008				
Mr. Tang Yong	190	5	2	197
Mr. Zhang Zhiying	190	5	3	198
Madam Zhang Yang	130	–	–	130
Mr. Gao Chun	130	–	–	130
Mr. Zhou Liming	130	–	–	130
Mr. Wang Shuanming	130	–	–	130
Mr. Liu Mingli	173	5	2	180
Mr. Nie Xinquan	–	–	–	–
	1,073	15	7	1,095

(3) There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

(4) The five highest paid individuals were also the Company's directors during the two years ended 31 December 2009.

7. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Supervisors

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total RMB'000
2009				
Mr. Feng Bing	218	6	3	227
Mr. Hou Bin	–	–	–	–
Mr. Ouyang Huajie	–	–	–	–
Mr. Jian Shixi	186	6	2	194
Madam Yang Jingfan	164	6	2	172
Mr. Liu Xianfu	–	–	–	–
Madam Luo Yi	–	–	–	–
Mr. Dong Zhi	–	–	–	–
	568	18	7	593

	Salaries allowances and benefits in kind RMB'000	Pension scheme contributions RMB'000	Supplementary pension scheme contributions RMB'000	Total RMB'000
2008				
Mr. Feng Bing	192	5	3	200
Mr. Hou Bin	–	–	–	–
Mr. Ouyang Huajie	–	–	–	–
Mr. Jian Shixi	163	5	2	170
Madam Yang Jingfan	108	5	2	115
Mr. Liu Xianfu	–	–	–	–
	463	15	7	485

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year.

7. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

Supervisors *(Continued)*

In addition to the amounts disclosed above, five supervisors did not receive any remuneration from the Company in 2009, of which two supervisors are also senior executives of Sichuan Highway Development, the ultimate holding company of the Company, three supervisors are senior executives of Huajian Centre, which holds a 20.85% interest in the Company. In the opinion of the directors, it is not practicable to apportion these amounts between their services as supervisors of the Company and their services as senior executives of the above companies, respectively.

8. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the year (2008: nil).

Except for the companies discussed below that are entitled to a preferential tax rate, the other subsidiaries and associates of the Company are required to pay corporate income tax ("CIT") at the standard rate of 25% from 1 January 2008.

Pursuant to the approval document, "Chuan Guo Shui Zhi Jian Mian [2008] No. 26" dated 2 June 2008, issued by the Sichuan Provincial Branch of the State Tax Bureau, the Company is granted a tax concession to pay CIT at a preferential rate of 15% for the three years from 1 January 2008 to 31 December 2010.

Pursuant to the approval documents, "Cai Shui [2001] No. 202" dated 30 December 2001, issued by the Ministry of Finance, the State Administration of Taxation and the General Administration of Customs, and "Guo Fa [2007] No. 39" dated 26 December 2007 issued by the State Council, the Company's subsidiary, Chengle Company was granted a tax concession to pay CIT at a preferential rate 15% for the period from 1 January 2001 to 31 December 2010.

Pursuant to an approval document "Chuan Di Shui Han [2004] No. 283" dated 19 July 2004 issued by the Sichuan Provincial Branch of the State Tax Bureau, the Company's subsidiary, Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company") was granted a tax concession to pay CIT at a preferential rate of 15% for the period from 1 January 2003 to 31 December 2010.

Pursuant to a document "Guo Ban Fa [2001] No. 73" dated 29 September 2001 issued by the State Council of the PRC and the approval of the local tax authorities, Chengdu Airport Expressway Company Limited, an associate of the Company, was granted a tax concession to pay CIT at a preferential rate of 15% for a period of 10 years from 1 January 2001 to 31 December 2010.

8. INCOME TAX *(Continued)*

The major components of income tax expenses for the year are as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Group:		
Current — Mainland China		
Charge for the year	142,739	95,877
Underprovision in prior years	5,035	—
Deferred	701	8,392
Total tax charge for the year	148,475	104,269

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rates for companies within the Group to the tax expense at the effective tax rates, is as follows:

	2009 RMB'000	2008 RMB'000 (Restated)
Profit before tax	986,046	701,849
Tax at applicable tax rates of:		
25%	3,820	2,051
15%	145,615	104,046
Subtotal	149,435	106,097
Income not subject to tax	(242)	(1,140)
Expenses not deductible for tax	1,931	175
Tax losses utilised from previous years	(5,970)	—
Adjustments in respect of current tax of previous periods	5,035	—
Profit attributable to associates	(1,714)	(863)
Tax charge at the Group's effective tax rate	148,475	104,269

The share of tax attributable to associates amounting to RMB2,116,000 (2008: RMB1,209,000) is included in "share of profits and losses of associates" on the face of the consolidated statement of comprehensive income.

9. TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated total comprehensive income attributable to owners of the Company for the year ended 31 December 2009 includes a comprehensive income of RMB688,654,000 (2008: RMB540,150,000) which has been dealt with in the financial statements of the Company (note 26).

10. EARNINGS PER SHARE ATTRIBUTABLE TO OWNERS OF THE COMPANY

The calculation of basic earnings per share amounts is based on the profit for the year attributable to owners of the Company and the weighted average number of ordinary shares in issue during the year.

The calculations of basic earnings per share are based on:

	2009 ***RMB'000***	2008 *RMB'000* (Restated)
Profit attributable to owners of the Company	**827,475**	591,660

	2009 **Number of shares'000**	2008 Number of shares'000
Weighted average number of ordinary shares in issue during the year	**2,766,393**	2,558,060

The weighted average number of shares used to calculate the basic earnings per share for the year ended 31 December 2009 includes the weighted average number of shares of 500,000,000 shares issued upon the listing of A Shares on 27 July 2009 as referred to in note 25 to the financial statements.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2009 and 2008 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

11. PROPERTY, PLANT AND EQUIPMENT

Group

	Safety equipment RMB'000	Communication and signalling systems RMB'000	Toll collection equipment RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009								
Cost:								
At 1 January 2009								
As previously stated	445,155	144,238	135,277	256,916	154,458	60,687	21,920	1,218,651
Effect of combination under common control (*note 2.1*)	197,844	45,901	29,154	106,514	4,434	15,236	–	399,083
As restated	642,999	190,139	164,431	363,430	158,892	75,923	21,920	1,617,734
Additions during the year	–	486	2,892	410	8,245	6,259	50,757	69,049
Disposals	(11)	(10,791)	(13,607)	–	(1,826)	(2,211)	–	(28,446)
Transfers	6,398	19,525	7,675	36,095	1,078	–	(70,771)	–
At 31 December 2009	649,386	199,359	161,391	399,935	166,389	79,971	1,906	1,658,337
Accumulated depreciation:								
At 1 January 2009								
As previously stated	393,819	95,469	79,121	82,721	111,154	36,655	–	798,939
Effect of combination under common control (*note 2.1*)	172,685	22,700	26,251	30,355	3,017	11,769	–	266,777
As restated	566,504	118,169	105,372	113,076	114,171	48,424	–	1,065,716
Provided during the year	44,366	16,130	13,191	11,915	10,443	5,974	–	102,019
Disposals	(8)	(8,521)	(11,289)	–	(1,613)	(2,121)	–	(23,552)
At 31 December 2009	610,862	125,778	107,274	124,991	123,001	52,277	–	1,144,183
Net book value:								
At 1 January 2009 (Restated)	76,495	71,970	59,059	250,354	44,721	27,499	21,920	552,018
At 31 December 2009	38,524	73,581	54,117	274,944	43,388	27,694	1,906	514,154

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2008								
Cost:								
At 1 January 2008								
As previously stated	444,537	144,173	136,242	258,498	151,875	56,742	954	1,193,021
Effect of combination under common control *(note 2.1)*	197,844	45,308	29,146	106,514	4,102	14,991	–	397,905
As restated	642,381	189,481	165,388	365,012	155,977	71,733	954	1,590,926
Additions during the year	618	691	3,061	70	5,012	9,052	22,200	40,704
Disposals	–	(33)	(4,641)	(1,919)	(2,441)	(4,862)	–	(13,896)
Transfers	–	–	623	267	344	–	(1,234)	–
At 31 December 2008	642,999	190,139	164,431	363,430	158,892	75,923	21,920	1,617,734
Accumulated depreciation:								
At 1 January 2008								
As previously stated	367,025	80,881	69,373	74,617	102,329	35,507	–	729,732
Effect of combination under common control *(note 2.1)*	153,495	18,302	22,238	26,911	2,645	12,282	–	235,873
As restated	520,520	99,183	91,611	101,528	104,974	47,789	–	965,605
Provided during the year	45,984	19,006	16,876	12,052	11,030	5,307	–	110,255
Disposals	–	(20)	(3,115)	(504)	(1,833)	(4,672)	–	(10,144)
At 31 December 2008	566,504	118,169	105,372	113,076	114,171	48,424	–	1,065,716
Net book value:								
At 1 January 2008 (Restated)	121,861	90,298	73,777	263,484	51,003	23,944	954	625,321
At 31 December 2008 (Restated)	76,495	71,970	59,059	250,354	44,721	27,499	21,920	552,018

11. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	Safety equipment RMB'000	Communication and signalling systems RMB'000	Toll collection equipment RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2009								
Cost:								
At 1 January 2009	413,679	143,559	123,495	208,837	92,974	40,193	21,870	1,044,607
Additions during the year	–	357	2,578	410	3,847	3,540	45,546	56,278
Disposals	(11)	(10,791)	(12,112)	–	(1,818)	(2,211)	–	(26,943)
Transfers	6,886	13,802	8,008	36,095	860	–	(65,651)	–
At 31 December 2009	420,554	146,927	121,969	245,342	95,863	41,522	1,765	1,073,942
Accumulated depreciation:								
At 1 January 2009	372,235	94,887	73,190	69,330	67,551	22,981	–	700,174
Provided during the year	22,610	14,906	11,226	7,235	5,579	3,283	–	64,839
Disposals	(8)	(8,521)	(9,957)	–	(1,613)	(2,121)	–	(22,220)
At 31 December 2009	394,837	101,272	74,459	76,565	71,517	24,143	–	742,793
Net book value:								
At 1 January 2009	41,444	48,672	50,305	139,507	25,423	17,212	21,870	344,433
At 31 December 2009	25,717	45,655	47,510	168,777	24,346	17,379	1,765	331,149

11. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company *(Continued)*

	Safety equipment RMB'000	Communication and signalling systems RMB'000	Toll collection equipment RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2008								
Cost:								
At 1 January 2008	413,080	143,485	125,089	216,840	97,587	39,949	904	1,036,934
Additions during the year	599	98	2,424	70	4,298	7,530	22,200	37,219
Disposals	–	(24)	(4,641)	(1,919)	(2,441)	(3,785)	–	(12,810)
Transfer to a subsidiary	–	–	–	(6,421)	(6,814)	(3,501)	–	(16,736)
Transfers	–	–	623	267	344	–	(1,234)	–
At 31 December 2008	413,679	143,559	123,495	208,837	92,974	40,193	21,870	1,044,607
Accumulated depreciation:								
At 1 January 2008	349,348	80,360	64,071	64,251	67,535	26,574	–	652,139
Provided during the year	22,887	14,547	12,234	7,156	5,860	3,526	–	66,210
Transfer to a subsidiary	–	–	–	(1,573)	(4,011)	(3,486)	–	(9,070)
Disposals	–	(20)	(3,115)	(504)	(1,833)	(3,633)	–	(9,105)
At 31 December 2008	372,235	94,887	73,190	69,330	67,551	22,981	–	700,174
Net book value:								
At 1 January 2008	63,732	63,125	61,018	152,589	30,052	13,375	904	384,795
At 31 December 2008	41,444	48,672	50,305	139,507	25,423	17,212	21,870	344,433

12. SERVICE CONCESSION ARRANGEMENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost:				
At 1 January				
As previously stated	**7,170,771**	7,012,718	**6,783,036**	6,624,983
Effect of combination under common control *(note 2.1)*	**1,349,109**	1,337,526	**–**	–
As restated	**8,519,880**	8,350,244	**6,783,036**	6,624,983
Additions	**463,445**	169,636	**463,985**	158,053
At 31 December	**8,983,325**	8,519,880	**7,247,021**	6,783,036
Accumulated amortisation:				
At 1 January				
As previously stated	**1,519,246**	1,343,913	**1,424,614**	1,264,067
Effect of combination under common control *(note 2.1)*	**197,165**	167,991	**–**	–
As restated	**1,716,411**	1,511,904	**1,424,614**	1,264,067
Charged for the year	**223,217**	204,507	**175,711**	160,547
At 31 December	**1,939,628**	1,716,411	**1,600,325**	1,424,614
Net book value:				
At 1 January (Restated)	**6,803,469**	6,838,340	**5,358,422**	5,360,916
At 31 December	**7,043,697**	6,803,469	**5,646,696**	5,358,422

At 31 December 2009, the concession rights pertaining to Chengbei Exit Expressway and Chengle Expressway with the book values of RMB184,788,000 and RMB1,122,452,000, respectively (2008: RMB197,638,000 and RMB1,151,944,000, respectively) were pledged to secure bank loans amounting to RMB179,600,000 and RMB306,400,000, respectively (2008: RMB214,600,000 and RMB1,307,000,000, respectively) (note 24(a)).

12. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

On 15 April 2009, the Company was selected as the preferred bidder for the investment and construction of the Chengdu-Meishan section of Chengdu-Zigong-Luzhou-Chishui Expressway (the "Investment Project") in a public tender jointly organised by the People's Government of Chengdu City and the People's Government of Meishan City (collectively the "Joint Tender Organisers"). During the year, the costs of RMB356,858,000 (2008: nil) for initial preliminary works were incurred for the Investment Project and were included in the addition of service concession arrangements which will be amortised upon the commencement of operation of the Investment Project. In addition, the construction costs of RMB356,858,000 (2008: nil) and construction revenue of RMB356,858,000 (2008: nil) were recognised in respect of the construction service provided for the Investment Project using the percentage of completion method during the year.

13. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount at 1 January				
As previously stated	**485,573**	510,434	**437,776**	459,657
Effect of combination under common control *(note 2.1)*	**151,727**	158,952	**–**	–
As restated	**637,300**	669,386	**437,776**	459,657
Recognition during the year	**(32,158)**	(32,086)	**(21,834)**	(21,881)
Carrying amount at 31 December	**605,142**	637,300	**415,942**	437,776

All the Group's land included above is situated in the Sichuan Province, the PRC, and is held under medium lease terms.

14. INVESTMENTS IN SUBSIDIARIES

	2009	2008
	RMB'000	*RMB'000*
Unlisted investments, at cost	**1,531,817**	433,496

The amounts due from/to subsidiaries as at 31 December 2009 and 2008 included in the Company's current assets and current liabilities are unsecured, interest-free and are repayable on demand or within one year. The carrying amounts of all the amounts due from/to subsidiaries approximate to their fair values.

14. INVESTMENTS IN SUBSIDIARIES (Continued)

Particulars of the Company's subsidiaries, which were established in the PRC and operate in Mainland China, are as follows:

Name	Legal person status	Nominal value of issued/ registered capital RMB'000	Percentage of equity attributable to the Group Direct	Indirect	Principal activities
Chengle Company*	Limited company	560,790	100	–	Construction and operation of Chengle Expressway
Chengbei Company	Limited company	220,000	60	–	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Chengdu Shuhai Investment Management Company Limited	Limited company	200,000	99.9	–	Investment holding
Sichuan Shugong Expressway Engineering Company Limited	Limited company	70,000	100	–	Repairs and maintenance of expressways
Sichuan Shusha Enterprise Company Limited	Limited company	30,000	100	–	Provision of ancillary services and property development
Sichuan Chengyu Expressway Advertising Company Limited	Limited company	1,000	–	60	Design and production of advertisements

* During the year, the Company acquired the entire interests in Chengle Company from Sichuan Highway Development and Xing Yuan Company. Further details of this acquisition were set out in note 2.1 to the financial statements.

The difference of RMB4,758,000 between the consideration paid to Xing Yuan Company and the share of net assets in Chengle Company attributable to Xing Yuan Company was recognised as an equity transaction.

15. INTERESTS/INVESTMENTS IN ASSOCIATES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted shares, at cost	**–**	–	**39,428**	39,428
Share of net assets	**72,970**	67,227	**–**	–
Provision for impairment	**(9,163)**	(9,163)	**–**	–
	63,807	58,064	**39,428**	39,428

Particulars of the associates of the Group, which were established in the PRC and operate in Mainland China, are as follows:

Name	Legal person status	Percentage of equity attributable to the Group 2009	2008	Principal activities
Chengdu Airport Expressway Company Limited	Limited company	**25**	25	Construction and operation of Chengdu Airport Expressway
Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited	Limited company	**20**	20	Development and sale of high-tech products
Sichuan Chengya Oil Supply Company Limited	Limited company	**27**	27	Operation of oil stations
Chengdu Stone Elephant Lake Communication Restaurant Company Limited	Limited company	**32.4**	32.4	Provision of accommodation, meeting reception and entertainment services
Sichuan Chengyu Asphalt High-tech Company Limited	Limited company	**45**	45	Sale and production of asphalt, additive, chemical products and architecture materials

None of the above associates is audited by Ernst & Young Hong Kong or other member firm of the Ernst & Young global network.

15. INTERESTS/INVESTMENTS IN ASSOCIATES (Continued)

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2009 RMB'000	2008 RMB'000
Assets	544,270	620,376
Liabilities	310,291	410,495
Revenues	297,254	220,932
Profit	45,528	28,610

16. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2009 RMB'000	2008 RMB'000 (Restated)	2009 RMB'000	2008 RMB'000
Unlisted equity investments, at cost	33,295	33,295	21,500	21,500

Unlisted equity investments represent the Group's investments in enterprises domiciled in Mainland China, and have no fixed maturity date or coupon rate. There is no market price for such equity investments. In addition, the range of reasonable fair value is significant and the probabilities of the various estimates cannot be reasonably assessed. Accordingly, a reasonable estimate of the fair value has not been made.

17. LONG TERM COMPENSATION RECEIVABLES

Pursuant to a compensation agreement dated 29 December 2006 entered into among Xindu District Finance Bureau and Communications Bureau (collectively Xindu District Government, "XDG"), Chengdu Municipal Committee of Communication ("CMCC") and Chengbei Company, a subsidiary of the Company, on 30 December 2006, Chengbei Company disposed of the operating rights of Dajian Road to XDG for a compensation of RMB211,802,000.

The compensation is satisfied by cash and would be settled over 17 annual instalments on the following terms:

(a) An annual instalment of RMB13 million will be paid by XDG to Chengbei Company by 30 June of every year for 16 years from 2007 till 2022; and

(b) The final instalment of RMB3,802,100 will be paid by XDG to Chengbei Company by 30 June 2023.

(c) CMCC, an authorised representative of the Chengdu Municipal Government responsible for the financing of XDG, guaranteed the payment of annual instalments. In the event of default in payment, CMCC agrees that it will deduct the default amount from the annual finance funds allocated to XDG and pay it to Chengbei Company directly.

(d) Additional compound interest at a rate of 0.021% per day should be levied on the delay in payment.

17. LONG TERM COMPENSATION RECEIVABLES *(Continued)*

The compensation can be analysed as follows:

	2009			2008		
	Compensation	Imputed interest	Net present value	Compensation	Imputed interest	Net present value
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Receivables:						
Within one year	13,000	10,697	2,303	13,000	10,978	2,022
In the second to fifth years, inclusive	52,000	39,102	12,898	52,000	40,678	11,322
Beyond five years	107,802	46,156	61,646	120,802	55,278	65,524
	172,802	95,955	76,847	185,802	106,934	78,868
Portion classified as current assets			(2,303)			(2,022)
Non-current portion			74,544			76,846

As the compensation will be paid by instalment over 17 years, the Group calculated the discounted value of the compensation receivables in future using an imputed rate of interest of 13.92% per annum. The imputed rate of interest adopted reflects risk premium accounted for after considering the credit risk incurred due to the fact that the compensation will be paid over 17 years.

18. PAYMENTS IN ADVANCE

		Group		Company	
	Notes	**2009 RMB'000**	2008 RMB'000	**2009 RMB'000**	2008 RMB'000
Advance payments in respect of:					
Investment Project	(a)	**399,095**	–	**399,095**	–
Acquisition of 100% equity interest in Chengle Company	(b)	**–**	100,000	**–**	100,000
		399,095	100,000	**399,095**	100,000

(a) At 31 December 2009, payments in advance represented RMB263,250,000 and RMB135,845,000 paid by the Company to the Shuangliu County People's Government for the resettlement of residents and removal of obstacles and subcontractors based on 5% of the total contact amount before the commencement of the construction works, respectively, for the construction of the Investment Project.

(b) At 31 December 2008, payments in advance represented RMB100 million paid by the Company to the Vendors in relation to the acquisition of the entire interest in Chengle Company. The acquisition was completed during the year and the payment in advance was utilised as part of the payment of the Consideration.

19. DEFERRED TAX

Deferred tax assets

	Losses available for off setting against future taxable profits	
	2009	2008
	RMB'000	*RMB'000*
At 1 January		
As previously stated	**–**	–
Effect of combination under common control *(note 2.1)*	**701**	9,093
As restated	**701**	9,093
Deferred tax charged to the profit or loss during the year *(note 8)*	**(701)**	(8,392)
At 31 December	**–**	701

20. INVENTORIES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Spare parts and consumable supplies	**20,609**	21,617	**197**	197

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
	Note	**2009** **RMB'000**	2008 *RMB'000* (Restated)	**2009** **RMB'000**	2008 *RMB'000*
Prepayments		**1,978**	10,421	**928**	6,743
Deposits and other receivables	(a)	**171,890**	160,582	**62,706**	53,647
		173,868	171,003	**63,634**	60,390
Impairment of other receivables	(a)	**(129,151)**	(129,660)	**(38,014)**	(38,562)
		44,717	41,343	**25,620**	21,828

Prepayments, deposits and other receivables at 31 December 2009 includes the bidding deposits of RMB10,000,000 (2008: nil) paid to CMCC in respect of the bidding of the Investment Project.

In accordance with the bidding arrangement, the Company was required to set aside bidding deposits of RMB22,000,000, of which RMB12,000,000 was paid by the Company to CMCC and the remaining RMB10,000,000 (note 22) was satisfied by the pledge of the Company's time deposits.

The bidding deposits and pledged time deposits are expected to be refunded and released within thirty days after the Company makes payment of performance guarantee deposits of RMB200,000,000 to CMCC in respect of the Investment Project.

The carrying amounts of the prepayments, deposits and other receivables approximate to their respective fair values.

21. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES *(Continued)*

(a) The movements in provision for individually impaired other receivables are as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January				
As previously stated	**58,729**	66,325	**38,562**	46,169
Effect of combination under common control *(note 2.1)*	**70,931**	70,931	**–**	–
As restated	**129,660**	137,256	**38,562**	46,169
Impairment losses recognised *(note 5)*	**401**	63	**32**	–
Impairment losses reversed *(note 5)*	**(910)**	(7,659)	**(580)**	(7,607)
At 31 December	**129,151**	129,660	**38,014**	38,562

The individually impaired other receivables relate to debtors that were in financial difficulties and only a portion of the receivables is expected to be recovered. The Group does not hold any collateral or other credit enhancements over the balances.

The aged analysis of the other receivables that are not considered to be impaired is as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000* (Restated)	***RMB'000***	*RMB'000*
Neither past due nor impaired	**42,739**	30,922	**24,692**	15,085

Receivables that were neither past due nor impaired related to a large number of diversified debtors for whom there was no recent history of default.

22. CASH AND BANK BALANCES

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Cash and bank balances	**1,527,195**	1,263,554	**1,247,041**	810,863
Time deposits with original maturity of less than three months	**158,157**	144,285	**–**	–
	1,685,352	1,407,839	**1,247,041**	810,863
Pledged time deposits	**23,316**	18,831	**10,000**	–
Time deposits with original maturity of over three months	**97,094**	80,945	**–**	–
	1,805,762	1,507,615	**1,257,041**	810,863

At the end of the reporting period, all the cash and bank balances of the Group are denominated in RMB. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

The carrying amounts of the cash and bank balances approximate to their fair values.

23. OTHER PAYABLES AND ACCRUALS

		Group		Company	
	Note	**2009**	2008	**2009**	2008
		RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
			(Restated)		
Accruals		**6,876**	85,684	**5,907**	83,767
Other payables	(a)	**479,161**	182,315	**355,223**	90,417
		486,037	267,999	**361,130**	174,184

(a) Among other payables at 31 December 2009, performance guarantee payables of approximately RMB258,438,000 (2008: nil) received from sub-contractors in respect of the construction of the Investment Project bear interest at a rate of 0.36% (2008: nil) per annum.

Except for those performance guarantee payables for the construction of the Investment Project and warranty payables for the construction of expressways which have a longer term of approximately two years, other payables are non-interest-bearing and have an average term of three months.

The carrying amounts of the other payables and accruals approximate to their respective fair values.

24. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	Group 2009 RMB'000	Group 2008 RMB'000 (Restated)	Company 2009 RMB'000	Company 2008 RMB'000
Bank loans:	(a)				
Secured and guaranteed		**306,400**	1,307,000	**–**	–
Secured		**179,600**	214,600	**–**	–
Short term commercial papers	(b)	**2,000,000**	1,500,000	**2,000,000**	1,500,000
Other loans, unsecured	(c)	**111,363**	134,091	**111,363**	134,091
		2,597,363	3,155,691	**2,111,363**	1,634,091
Analysed into:					
Bank loans repayable:					
Within one year		**75,600**	85,000	**–**	–
In the second year		**13,000**	129,600	**–**	–
In the third to fifth years, inclusive		**91,000**	340,000	**–**	–
Beyond five years		**306,400**	967,000	**–**	–
		486,000	1,521,600	**–**	–
Short term commercial papers:					
Within one year		**2,000,000**	1,500,000	**2,000,000**	1,500,000
Other loans repayable:					
Within one year		**22,727**	22,727	**22,727**	22,727
In the second year		**22,727**	22,727	**22,727**	22,727
In the third to fifth years, inclusive		**61,364**	68,182	**61,364**	68,182
Beyond five years		**4,545**	20,455	**4,545**	20,455
		111,363	134,091	**111,363**	134,091
Total bank and other loans		**2,597,363**	3,155,691	**2,111,363**	1,634,091
Portion classified as current liabilities		**(2,098,327)**	(1,607,727)	**(2,022,727)**	(1,522,727)
Non-current portion		**499,036**	1,547,964	**88,636**	111,364

24. INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

At the end of the reporting period, all interest-bearing bank and other loans of the Group are denominated in RMB.

(a) The bank loans bear interest at the respective fixed rates ranging from 4.78% to 7.05% (2008: from 5.02% to 7.83%) per annum. Bank loans amounting to RMB179,600,000 and RMB306,400,000 (2008: RMB214,600,000 and RMB1,307,000,000) are secured by the pledge of the concession rights of Chengbei Exit Expressway and Chengle Expressway, respectively (note 12). In addition, the Company's holding company, Sichuan Highway Development has guaranteed certain of the Group's bank loans up to RMB306,400,000 (2008: RMB1,307,000,000) (note 31(d)).

(b) On 19 February 2008, the Company issued short term commercial papers totalling RMB1.5 billion at a par value of RMB100 per unit, with an interest rate of 6.28% per annum to members registered in the PRC interbank debt market and repaid them on 19 February 2009.

    On 27 November 2009, the Company issued another short term commercial papers totalling RMB2 billion to domestic institutional investors participating in the PRC interbank debt market. The short term commercial paper was issued at a par value of RMB100 per unit, with an interest rate of 3.49% per annum, and will expire on 29 November 2010.

(c) Other loans are unsecured and bear interest at rates ranging from 2.82% to 5% (2008: from 2.28% to 5%) per annum.

24. INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

The carrying amounts of the Group's and the Company's current bank and other loans approximate to their fair values. The fair values of the Group's and the Company's bank and other loans (non-current portion) are as follows:

	Carrying amounts		Fair values	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		(Restated)
Group				
Bank loans	**410,400**	1,436,600	**270,524**	993,001
Other loans	**88,636**	111,364	**74,352**	90,146
	499,036	1,547,964	**344,876**	1,083,147

	Carrying amounts		Fair values	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Company				
Other loans	**88,636**	111,364	**74,352**	90,146

25. ISSUED CAPITAL

	2009 Number of shares *'000*	2008 Number of shares *'000*	**2009 Nominal value *RMB'000***	2008 Nominal value *RMB'000*
Authorised, issued and fully paid:				
A Shares of RMB1.00 each:				
Sichuan Highway Development	**975,060**	1,005,290	**975,060**	1,005,290
Huajian Centre	**637,680**	657,450	**637,680**	657,450
National Council for Social Security Fund ("NCSSF")*	**50,000**	–	**50,000**	–
Newly issued A Shares	**500,000**	–	**500,000**	–
H Shares of RMB1.00 each	**895,320**	895,320	**895,320**	895,320
	3,058,060	2,558,060	**3,058,060**	2,558,060

25. ISSUED CAPITAL *(Continued)*

* Pursuant to the approval document "Cai Qi [2009] No. 94" dated 19 June 2009 jointly issued by the Ministry of Finance People's Republic of China, the State-owned Assets Supervision and Administration Commission of the State Council, the China Securities Regulatory Commission and NCSSF, Sichuan Highway Development and Huajian Centre are required to transfer their respective 30,229,922 shares and 19,770,078 shares in the Company to NCSSF after the listing of the Company's A Shares.

A summary of the movements in the Company's issued share capital during the year is as follows:

	Note	Number of shares '000	Nominal value RMB'000
At 1 January 2009		2,558,060	2,558,060
Issue of A Shares	(a)	500,000	500,000
At 31 December 2009		3,058,060	3,058,060

(a) On 15 July 2009, the Company issued 500,000,000 new A Shares, with a nominal value of RMB1.00 each, at an offer price of RMB3.60 per share. After deducting the share issue expenses of approximately RMB58,996,000 (note 26), the net proceeds from the initial public offering of A Shares amounted to approximately RMB1,741,004,000 (out of which approximately RMB500,000,000 and RMB1,241,004,000 (note 26) were credited to the Company's issued capital and share premium account, respectively).

The H Shares have been issued and listed on The Stock Exchange of Hong Kong Limited since October 1997.

All A and H Shares rank pari passu with each other in terms of dividend and voting rights.

26. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 73 and 74 of the financial statements.

The merger difference of the Group resulted from the preparation of the Group's consolidated financial statements on the basis of preparation set out in note 2.1 to the financial statements. It represents the difference between the consideration paid to Sichuan Highway Development and the nominal value of the issued capital of Chengle Company attributable to Sichuan Highway Development. Prior to the acquisition of Chengle Company, the merger difference represents the nominal value of the issued capital of Chengle Company attributable to Sichuan Highway Development.

Company

	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000*	General surplus reserve *RMB'000*	Retained profits *RMB'000*	Proposed final dividend *RMB'000*	Difference arising from the acquisition of minority interests *RMB'000*	Total *RMB'000*
At 1 January 2008	1,413,597	458,594	445,442	546,342	–	(244,529)	2,619,446
Total comprehensive income for the year	–	–	–	540,150	–	–	540,150
Transfer from/(to) reserves	–	162,471	–	(162,471)	–	–	–
At 31 December 2008 and 1 January 2009	1,413,597	621,065	445,442	924,021	–	(244,529)	3,159,596
Total comprehensive income for the year	–	–	–	688,654	–	–	688,654
Transfer from/(to) reserves	–	69,517	139,034	(208,551)	–	–	–
Issue of A Shares *(note 25(a))*	1,300,000	–	–	–	–	–	1,300,000
Share issue expenses *(note 25(a))*	(58,996)	–	–	–	–	–	(58,996)
Interim 2009 dividend *(note 27(b))*	–	–	–	(397,548)	–	–	(397,548)
Proposed final 2009 dividend *(note 27(b))*	–	–	–	(195,716)	195,716	–	–
At 31 December 2009	2,654,601	690,582	584,476	810,860	195,716	(244,529)	4,691,706

26. RESERVES *(Continued)*

Company *(Continued)*

(a) In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, the Company, its subsidiaries and associates are required to allocate 10% of their profits after tax, as determined in accordance with PRC GAAP applicable to the Company, its subsidiaries and associates, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company, its subsidiaries and associates. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, part of the SSR may be converted to increase the share capital of the Company, its subsidiaries and associates, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. As at 31 December 2009, the Company's reserves available for distribution amounted to RMB810,860,000, as calculated in accordance with HK GAAP. The Company's distributable reserves as at 31 December 2009 determined under HK GAAP were lower than those determined under PRC GAAP.

27. DIVIDENDS

(a) Dividend declared and paid in 2008

The Company did not pay any dividend for the year ended 31 December 2008 to the shareholders.

(b) Dividends for the year

	RMB'000
Interim dividend of RMB0.13 per share	397,548
Proposed final dividend of RMB0.064 per share	195,716
	593,264

An interim dividend of RMB0.13 per share of RMB397,548,000 was paid to the holders of A Shares and H Shares on 9 and 25 September 2009, respectively.

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

28. OPERATING LEASE ARRANGEMENTS

(a) As lessor

The Group leases certain parcel of its land along Chengyu Expressway under operating lease arrangements for the operation of petrol stations, with a lease term of 20 years. The terms of the lease also require the tenant to pay security deposits and provide for periodic rent adjustments according to the then prevailing market conditions.

At 31 December 2009, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

	Group	
	2009	2008
	RMB'000	*RMB'000*
Within one year	**4,995**	4,897
In the second to fifth years, inclusive	**20,263**	16,570
After five years	**54,245**	59,311
	79,503	80,778

28. OPERATING LEASE ARRANGEMENTS *(Continued)*

(b) As lessee

The Group entered into commercial leases on certain land and office buildings based on the reason that it is not in the best interest of the Group to purchase these assets. These leases have an average life of 1 to 22.5 years.

At 31 December 2009, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Within one year	**22,009**	21,623	**12,687**	12,687
In the second to fifth years, inclusive	**85,653**	86,491	**50,746**	50,746
After five years	**239,011**	259,538	**137,099**	149,786
	346,673	367,652	**200,532**	213,219

29. COMMITMENTS

In addition to the operating lease commitments detailed in note 28 above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
Contracted, but not provided for	**3,285,630**	1,023,476	**3,242,079**	1,018,147
Authorised, but not contracted for	**3,505,609**	100,891	**3,505,609**	85,100
	6,791,239	1,124,367	**6,747,688**	1,103,247

29. COMMITMENTS *(Continued)*

Further details of the capital commitments of the Group and the Company as at 31 December 2009 are analysed as follows:

	Group		Company	
	2009	2008	**2009**	2008
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
		(Restated)		
In respect of:				
Construction works to upgrade the expressways	**43,551**	96,600	**–**	85,100
Investment Project	**6,744,047**	–	**6,744,047**	–
Purchase of property, plant and equipment	**3,641**	29,446	**3,641**	19,826
Acquisition of 100% equity interest in Chengle Company	**–**	998,321	**–**	998,321
	6,791,239	1,124,367	**6,747,688**	1,103,247

30. RETIREMENT SCHEMES AND EMPLOYEE ACCOMMODATION BENEFITS

As stipulated by the state regulations of the PRC, the Group participates in a defined contribution retirement scheme. All retired employees are entitled to an annual pension equal to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to a local social security bureau at a rate of 20% of the employees' salaries or wages of the current year, up to an amount equivalent to three times the employees' average salaries of last year within the geographical area where the employees are employed. The Group has no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau.

During the year, contributions to the local social security bureau made by the Group under the defined contribution retirement scheme amounted to approximately RMB19,253,000 (2008: RMB17,620,000).

30. RETIREMENT SCHEMES AND EMPLOYEE ACCOMMODATION BENEFITS *(Continued)*

In addition, effective from 1 January 2007, a supplementary defined contribution pension scheme managed by an independent financial institution was established. Under the plan, the Group makes a monthly defined contribution to certain qualified employees at a rate of 8.3% of the qualified employees' salaries or wages of last year. There were no vested benefits attributable to past service upon the adoption of the plan. During the year, contributions to the supplementary defined contribution pension scheme made by the Group amounted to approximately RMB7,882,000 (2008: RMB6,379,000). Other than the above, the Group has no obligation for the payment of pension benefits beyond those annual contributions.

According to the relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the last year, to an accommodation fund. There are no further obligations on the part of the Group beyond the required annual contributions. During the year, the Group's contributions to the accommodation fund amounted to approximately RMB15,245,000 (2008: RMB14,344,000).

31. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

(a) In previous years, the Group obtained state loans in an original amount of RMB250,000,000 (2008: RMB250,000,000) in aggregate pursuant to certain loan repayment agreements (the "Loan Repayment Agreements") entered into between the Company and Sichuan Highway Development, the ultimate holding company of the Company. The state loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development in the Sichuan Province. For the purpose of financing the construction of Chengya Expressway, Sichuan Highway Development had initially obtained the state loans, and pursuant to the Loan Repayment Agreements, the state loans were then transferred to the Group. During the year, the Group made partial repayment of the state loans in an amount of RMB22,728,000 (2008: RMB22,727,000). The state loans have been included in other loans as set out in note 24 to the financial statements.

(b) During the year, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited ("Zhineng Company"), a subsidiary of Sichuan Highway Development, in relation to the provision of a computer system on highway networks toll fee collection and supportive technological services to the Group amounted to RMB7,511,000 (2008: RMB3,344,000).

31. RELATED PARTY TRANSACTIONS *(Continued)*

(c) On 1 February 2004, Chengle Company entered into a five years tenancy agreement (the "First Tenancy Agreement") with Sichuan Highway Development, whereby Sichuan Highway Development leased out certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy agreement was extended for another five years when the First Tenancy Agreement expired on 31 January 2009 at an annual rental of RMB1,138,000. During the year, the rental payable to Sichuan Highway Development amounted to RMB1,138,000 (2008: RMB1,195,000). At 31 December 2009, the outstanding balance due from the ultimate holding company amounted to RMB955,000 (2008: RMB2,093,000). These balances are unsecured, interest-free and have no fixed terms of repayment.

(d) At 31 December 2009, bank loans of Chengle Company aggregating to RMB306,400,000 (2008: RMB1,307,000,000) were guaranteed by Sichuan Highway Development free of charge (note 24(a)).

(e) During the year, Zhineng Company declared to waive the outstanding service fee receivable of RMB8,958,000 from the Group as at 31 December 2008.

(f) Compensation of key management personnel of the Group:

	2009 ***RMB'000***	2008 *RMB'000*
Fees	**240**	235
Other emoluments:		
Salaries, allowances and benefits in kind	**2,889**	2,514
Pension scheme contributions	**70**	60
Supplementary pension scheme contributions	**27**	26
	2,986	2,600
Total compensation paid to key management personnel	**3,226**	2,835

Further details of directors' emoluments are included in note 7 to the financial statements.

These transactions were carried out in accordance with the terms of agreements governing such transactions.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations.

It is the Group's policy that no trading in financial instruments shall be undertaken.

Risk management is carried out by the finance department which is led by the Group's executive directors. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board of the Directors (the "Board") reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other loans are disclosed in note 24. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables which are subject to floating interest rate.

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other loans and short term commercial papers.

The Group's net current liabilities amounted to approximately RMB789,008,000 as at 31 December 2009.

With regard to 2009 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due. The Group has good standing among its bankers. As at 31 December 2009, banking facilities amounting to RMB1.69 billion, RMB1.5 billion, RMB1.0 billion and RMB0.5 billion granted by China Construction Bank, China Citic Bank, Postal Savings Bank of China and Bank of China, respectively, are available to the Group. As at 31 December 2009, all the above available banking facilities remained unutilised.

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2009					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other loans	–	4,545	93,782	188,091	310,945	597,363
Short term commercial papers	–	–	2,000,000	–	–	2,000,000
Tax payable	–	76,687	–	–	–	76,687
Other payables	–	55,450	113,235	310,476	–	479,161
	–	136,682	2,207,017	498,567	310,945	3,153,211

	2008					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other loans	–	4,545	103,182	560,509	987,455	1,655,691
Short term commercial papers	–	1,500,000	–	–	–	1,500,000
Tax payable	–	42,187	–	–	–	42,187
Other payables	–	38,657	94,299	49,359	–	182,315
	–	1,585,389	197,481	609,868	987,455	3,380,193

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2009					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other loans	–	4,545	18,182	84,091	4,545	111,363
Short term commercial papers	–	–	2,000,000	–	–	2,000,000
Tax payable	–	56,226	–	–	–	56,226
Other payables	–	30,647	58,425	266,151	–	355,223
Due to subsidiaries	55,865	–	–	–	–	55,865
	55,865	91,418	2,076,607	350,242	4,545	2,578,677

	2008					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other loans	–	4,545	18,182	90,909	20,455	134,091
Short term commercial papers	–	1,500,000	–	–	–	1,500,000
Tax payable	–	41,470	–	–	–	41,470
Other payables	–	19,674	45,855	24,888	–	90,417
Due to subsidiaries	41,739	–	–	–	–	41,739
	41,739	1,565,689	64,037	115,797	20,455	1,807,717

32. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Credit risk

The long term compensation receivables from XDG are not exposed to any additional credit risk as the credit risk associated has been factored in the imputed interest rate used for discounting the value of the compensation receivables in future to its carrying amount. The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

Fair values

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2009 and 31 December 2008.

The Group monitors capital using a gearing ratio, which is the Group's total liabilities over its total assets. The Group's policy is to keep the gearing ratio between 20% and 35%. The Group's gearing ratio as at 31 December 2009 was 29.8% (2008: 35.2%)

33. SIGNIFICANT EVENT

On 13 May 2009, the Board passed a resolution, which approved and/or confirmed the investment in and construction of the Investment Project. The Company was selected as the preferred bidder for the Investment Project in a public tender jointly organised by the Joint Tender Organisers on 15 April 2009. As the winning bidder of the Investment Project, the Company will enter into a series of formal agreements with the Joint Tender Organisers subject to further negotiations. Pursuant to a series of bidding documents, particulars of the Investment Project are summarised as follows:

Total length:	Approximately 104.64 kilometres
Commencement date of the construction:	Around December 2009
Proposed commencement date of the operation:	Around December 2012
Period of operation:	29 years and 300 days since the date when the expressway commences to charge toll fees
Estimated total investment:	RMB7.5 billion
Expected source of fund:	Comprise the Group's internal resources, bank loans and other appropriate financing activities

On 15 June 2009, a project company, Chengren Branch, was set up by the Company to develop the Investment Project.

34. EVENTS AFTER THE REPORTING PERIOD

On 12 January 2010, the board announced that Chengren Branch of the Company entered into construction contracts with Sichuan Chuanjiao Road and Bridge Co., Ltd., China Railway No. 8 Engineering Group Co., Ltd. and China Railway No. 14 Engineering Group Co., Ltd., respectively. Pursuant to the respective construction contracts, Sichuan Chuanjiao Road and Bridge Co., Ltd., China Railway No. 8 Engineering Group Co., Ltd. and China Railway No. 14 Engineering Group Co., Ltd. will undertake the construction of the Section CR1, Section CR2 and Section CR3 of Chengdu-Zigong-Luzhou-Chishui Expressway, as the contractors, respectively, at the construction value of approximately RMB512 million, RMB493 million and RMB431 million, respectively.

35. COMPARATIVE AMOUNTS

As further explained in note 2.1 to the financial statements, due to the adoption of merger accounting for business combination under common control during the year, certain comparative amounts have been reclassified and restated to conform to the current year's presentation and accounting treatment.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 9 March 2010.