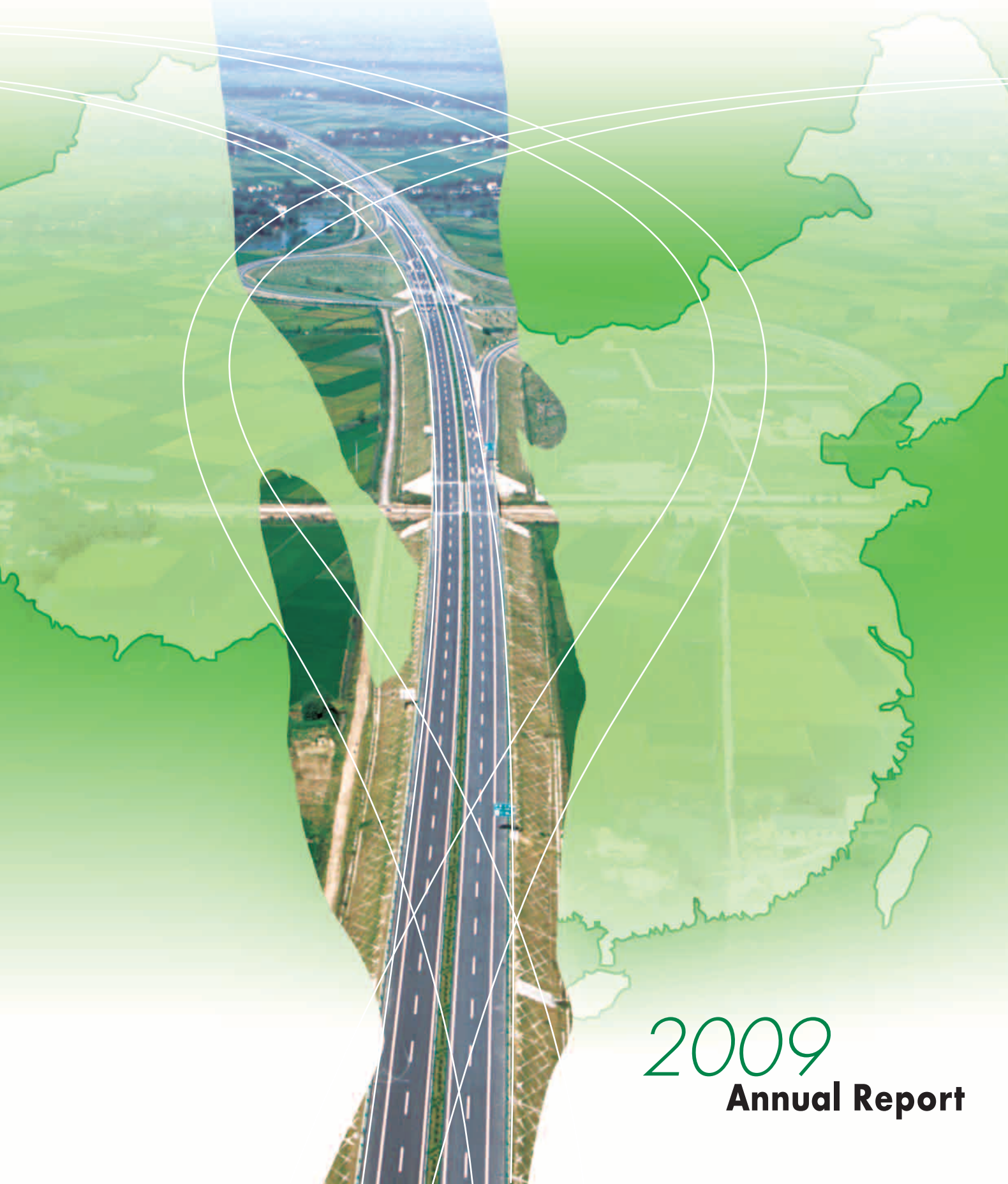




Anhui Expressway Company Limited

(A joint stock company incorporated in the People's Republic of China with limited liability)
(Stock Code : 0995)



2009
Annual Report

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Section I Important Notice

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

All the directors attended the Board meetings.

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co.,Ltd (the PRC Accountant of the Company) and PricewaterhouseCoopers Certified Public Accountants (Hong Kong Accountant of the Company) issued unqualified opinion for the Company.

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

If there were extraordinary use of funds by the controlling shareholder and its related parties? No

If there was offering for security in violation of specified procedure? No

Section II Corporate Profile

(I) General information

Official Chinese name of the Company	安徽皖通高速公路股份有限公司
Abbreviation in Chinese	皖通高速
Official English name of the Company	Anhui Expressway Company Limited
Abbreviation in English	Anhui Expressway
Legal representative of the Company	Zhou Renqiang

(II) Contact persons and contact address

	Secretary to the Board of the Company	Representative of Securities Affairs
Name	Xie Xinyu	Han Rong, Ding Yu
Contact address	520 Wangjiang West Road, Hefei, Anhui Province	520 Wangjiang West Road, Hefei, Anhui Province
Telephone	0551-5338681	0551-5338697(direct) 0551-5338699 (general)
Fax	0551-5338696	0551-5338696
E-mail address	wtgs@anhui-expressway.cn	wtgs@anhui-expressway.cn

(III) Corporate Profile

Registered address	520 Wangjiang West Road, Hefei, Anhui Province
Postal code of registered address	230088
Business address	520 Wangjiang West Road, Hefei, Anhui Province
Postal code of business address	230088
Business address in Hong Kong	5th Floor, Jardine House, Connaught Place, Hong Kong
Website of the Company	http://www.anhui-expressway.cn
E-mail address of the Company	wtgs@anhui-expressway.cn

Section II Corporate Profile

(IV) Addresses for information disclosure and keeping annual report

Newspapers designated for publishing report	China Securities Post and Shanghai Securities Post
Websites designated for disclosure of annual report	http://www.sse.com.cn , http://www.hkex.com.hk , http://www.anhui-expressway.cn
Addresses designated for keeping annual report	Shanghai Stock Exchange, 528 Pudong South Road, Shanghai; Hong Kong Registrars Limited, 46th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong; Company's head office at 520 Wangjiang West Road, Hefei, Anhui Province

(V) Profile of the Company's shares

Type of shares	Stock Exchange on which the Company's shares are listed	Profile of the Company's shares		
		Short name	Stock code	Short name before change
A Shares	Shanghai Stock Exchange	Wantong Expressway	600012	—
H Shares	The Stock Exchange of Hong Kong Limited	Anhui Expressway	0995	—

Section II Corporate Profile

(VI) Other related information

Date of initial registration of the Company	15 August 1996	
Place of initial registration of the Company	219 An'qing Road, Hefei, Anhui Province	
No. 1 change	Date of registration of the Company Registration number of enterprise legal person business license Tax registration number Organizational institution code	12 December 1996 3400001300169 Di Shui Zhi Zi 340103148973087 14897308-7
No. 2 change	Date of registration of the Company Place of registration of the Company Registration number of enterprise legal person business license Tax registration number Organizational institution code	3 April 2001 669 Changjiang West Road, Hefei, Anhui Province 3400001300169 Di Shui Zhi Zi 340103148973087 Guo Shui He Guo Zi 340104148973087 14897308-7
No. 3 change	Date of registration of the Company Place of registration of the Company Registration number of enterprise legal person business license Tax registration number Organizational institution code	30 December 2002 669 Changjiang West Road, Hefei, Anhui Province 3400001300169 (1-1) Di Shui Zhi Zi 340103148973087 Guo Shui He Guo Zi 340104148973087 14897308-7
No. 4 change	Date of registration of the Company Place of registration of the Company Registration number of enterprise legal person business license Tax registration number Organizational institution code	26 December 2003 669 Changjiang West Road, Hefei, Anhui Province Qi Gu Wan Zong Fu Zi No. 002077 Di Shui Zhi Zi 340103148973087 Guo Shui He Guo Zi 340104148973087 14897308-7
No. 5 change	Date of registration of the Company Place of registration of the Company Registration number of enterprise legal person business license Tax registration number Organizational institution code	28 July 2006 669 Changjiang West Road, Hefei, Anhui Province 340000400002623 (1-1) Di Shui Zhi Zi 340103148973087 Guo Shui He Guo Zi 340104148973087 14897308-7
No. 6 change	Date of registration of the Company Place of registration of the Company Registration number of enterprise legal person business license Tax registration number Organizational institution code	8 May 2009 520 Wangjiang West Road, Hefei, Anhui Province 340000400002623 (1-1) 340103148973087 14897308-7

Section II Corporate Profile

PRC Accountant	PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co.,Ltd (11 th Floor, PricewaterhouseCoopers Center, Hubin Road, Shanghai)
Hong Kong Accountant	PricewaterhouseCoopers Certified Public Accountants (22 nd Floor, Prince's Building, Central, Hong Kong)
PRC Legal Adviser	Anhui Expressway Law Office (19 th Floor, Wangcheng Mansion, 248 Changjiang West Road, Hefei, Anhui, the PRC)
Hong Kong Legal Adviser	Gallant Y.T.Ho & Co (5 th Floor, Jardine House, 1 Connaught Place, Hong Kong)
Domestic share registrar	China Securities Central Clearing and Registration Corporation, Shanghai Branch (36 th Floor, China Insurance Mansion, 166 Lujiazui East Road, Shanghai)
Overseas share registrar	Hong Kong Registrars Limited (46 th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong)

(VII) Corporate Profile:

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

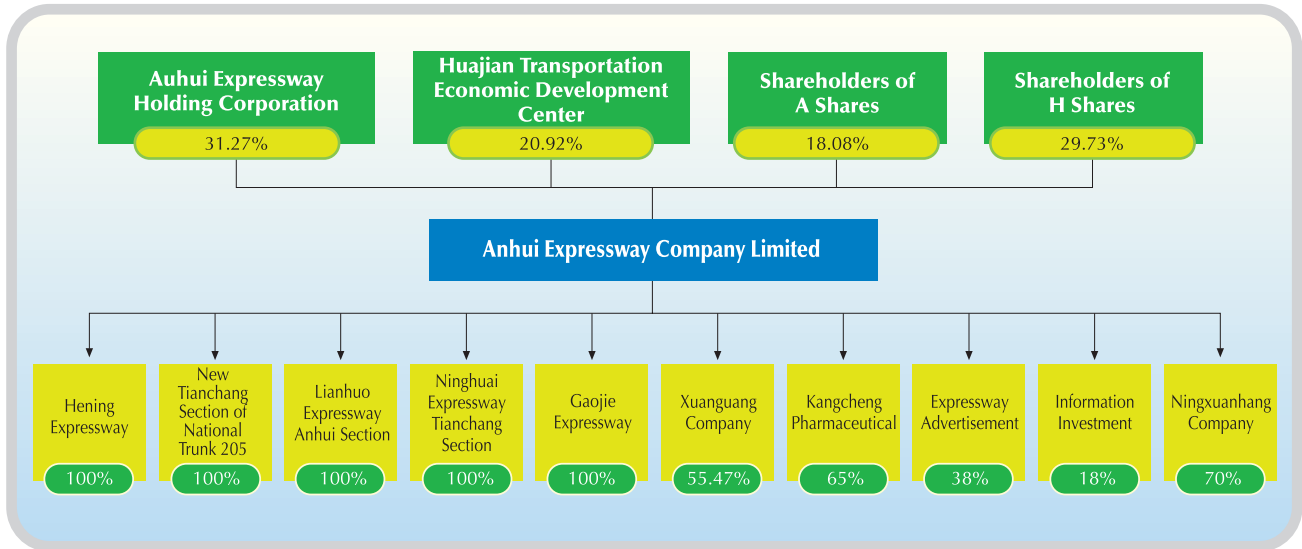
The Company is principally engaged in the operation and management of toll expressways and relevant business in Anhui Province, the PRC.

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

The core business of the Company is the investment, construction, operation and management of toll roads. The Company owns total or partial equities of Hening Expressway (G40 Hushan Expressway Hening Section), New Tianchang Section of National Trunk 205, Gaojie Expressway (G50 Huyu Expressway Gaojie Section), Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section), Ninghuai Expressway Tianchang Section and Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section), which are toll highways in Anhui Province. As of 31 December 2009, the Company held the total mileage of 426km with a total assets of RMB9,573,686 thousand.

Section II Corporate Profile

As of 31 December 2009, the structure of the Company, its subsidiaries and associated companies (the “Group”):



Section II Corporate Profile

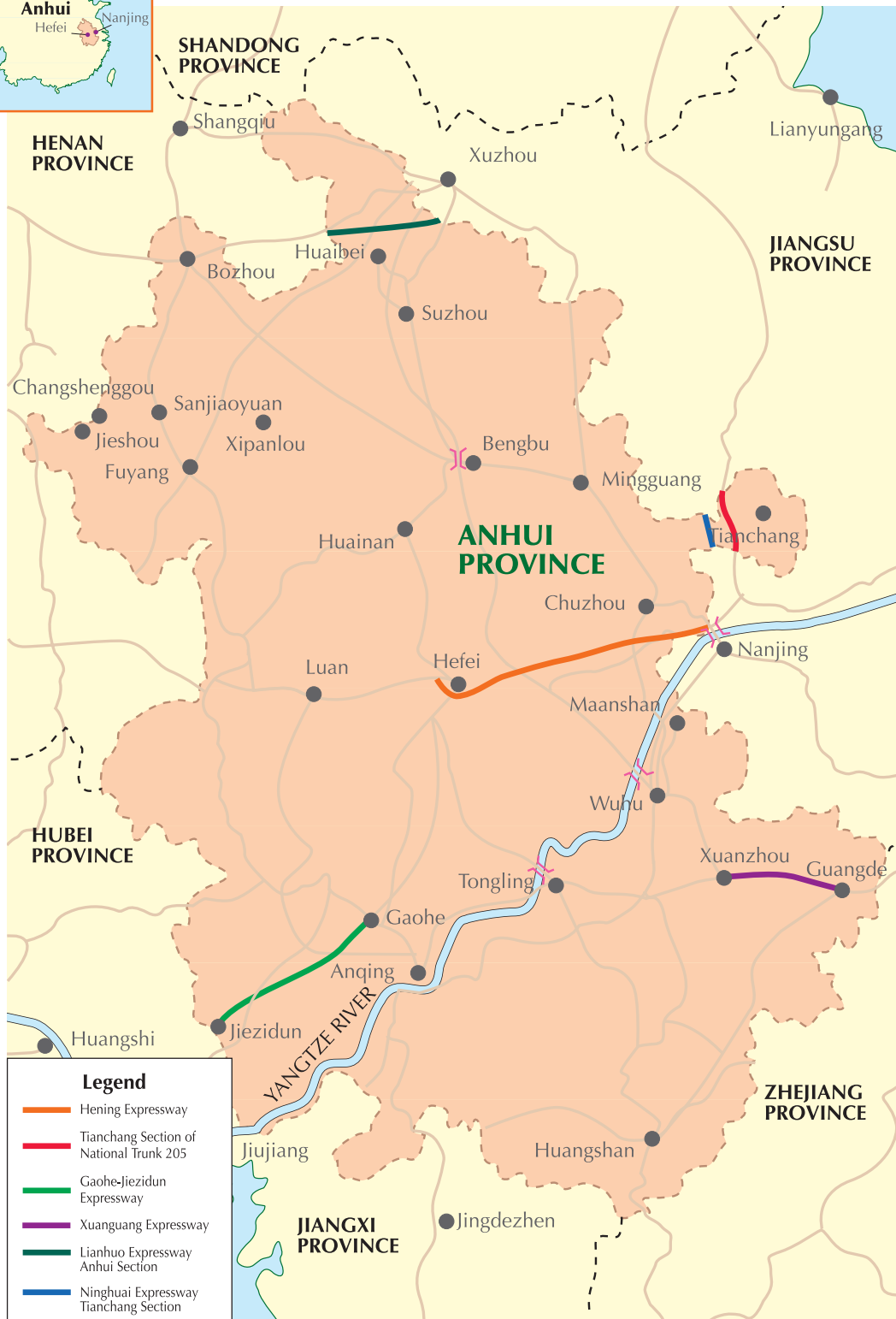
Notes:

“The Company”	Means	Anhui Expressway Company Limited
“The Group”	Means	The Company, its subsidiaries and associated companies
“AEHC”, “Anhui Expressway Group”	Means	Anhui Expressway Holding Group Company Limited (formerly known as Anhui Expressway Holding Corporation), the two companies are the same enterprise legal person
“Shanghai Stock Exchange”	Means	Shanghai Stock Exchange
“The Stock Exchange of Hong Kong Limited”	Means	The Stock Exchange of Hong Kong Limited
“Xuanguang Company”	Means	Xuanguang Expressway Company Limited
“Kangcheng Pharmaceutical”	Means	Anhui Kangcheng Pharmaceutical Company Limited
“Expressway Media”	Means	Anhui Expressway Media Company Limited
“Information Investment”	Means	Hefei Information Investment Company Limited
“Xuancheng Highway Management”	Means	Xuancheng Highway Construction and Management Company Limited
“Anlian Company”	Means	Anhui Anlian Expressway Company Limited
“Expressway Investment”	Means	Anhui Expressway Investment Company Limited
“Ningxuanhang Company”	Means	Anhui Ningxuanhang Expressway Investment Company Limited
“Xuancheng Transportation and Construction”	Means	Xuancheng City Transportation and Construction Investment Company Limited
“Yida Company”	Means	Anhui Provincial Expressway Service Area Operating Management Company Limited
“Yanjiang Company”	Means	Anhui Provincial Yanjiang Expressway Company Limited
“Hehuaifu Company”	Means	Anhui Provincial Hehuaifu Expressway Company Limited
“Real Estate Group”	Means	Anhui Provincial Expressway Real Estate Group Company Limited
“Xiandai Transportation”	Means	Anhui Provincial Xiandai Transportation Facilities Project Company Limited
“Expressway Real Estate”	Means	Anhui Provincial Expressway Real Estate Company Limited
“Inspection and Scientific Research Center”	Means	Anhui Provincial Expressway Experiment Inspection and Scientific Research Center

Section II Corporate Profile



Highway Projects Map of Anhui Expressway Company Limited



Section III Accounting Data and Business Highlights

The 2009 financial statements of the Group were audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Company Limited and PricewaterhouseCoopers Certified Public Accountants respectively who issued unqualified audit opinions on these financial statements.

PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN THE PRC (“the PRC Accounting Standards”)

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

(1) Key financial indicators during the reporting period.

Indicators	Amount
Operating profit	959,205
Total profit	950,796
Net profit attributable to shareholders of listed company	673,449
Net profit after extraordinary items attributable to shareholders of listed company	679,737
Net cash flows from operating activities	1,142,737

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

Key accounting data	2009	2008		Increase/decrease of the reporting period compared with that of last year (%)	2007
		After adjustment	Before adjustment		
Operating income	1,771,562	1,683,543	1,689,557	5.23	1,688,879
Total profit	950,796	990,325	987,225	-3.99	1,123,463
Net profit attributable to shareholders of listed company	673,449	693,212	691,802	-2.85	529,771
Net profit after extraordinary items attributable to shareholders of listed company	679,737	665,902	664,491	2.08	655,389
Net case flows from operating activities	1,142,737	1,033,543	1,033,543	10.57	1,165,648

Total assets Holders' equities (or shareholders' equities)	At the end of 2009	At the end of 2008		Change at the end of the reporting period compared with that at the end of last year (%)	At the end of 2007
		After adjustment	Before adjustment		
Total assets	9,573,686	8,591,447	8,587,027	11.43	7,387,814
Holders' equities (or shareholders' equities)	5,294,541	5,002,958	4,998,007	5.83	4,637,928

Section III Accounting Data and Business Highlights

Key accounting data	2009	2008		Increase/decrease of the reporting period compared with that of last year (%)	2007
		After adjustment	Before adjustment		
Basic earnings per share (RMB)	0.406	0.418	0.417	-2.87	0.319
Diluted earnings per share (RMB)	0.406	0.418	0.417	-2.87	0.319
Basic earnings per share after extraordinary items (RMB)	0.410	0.401	0.401	2.24	0.395
Returns on net assets (weighted average) (%)	13.08	14.37	14.36	A decrease of 1.29 percent point	11.52
Returns on net assets after extraordinary items (weighted average) (%)	13.20	13.80	13.79	A decrease of 0.60 percent point	14.25
Net cash flows from operating activities per share (RMB)	0.6890	0.6231	0.6231	10.58	0.7028

Net asset per share attributable to shareholders of listed company (RMB)	At the end of 2009	At the end of 2008		Change at the end of the reporting period compared with that at the end of last year (%)	At the end of 2007
		After adjustment	Before adjustment		
	3.19	3.02	3.01	5.63	2.80

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

Extraordinary items	Amount	Explanation
Loss from disposals of non-current assets	-12,154	Scrap loss of fixed assets
Government subsidies charged to the current gains/losses	2,000	Received the 2009 amortization amount of construction funds subsidies of Ninghuai Expressway (Tianchang Section) provided by Jiangsu Provincial Expressway Construction Headquarter in 2007, which is under Jiangsu Province
Other non-operating income	6,028	Mainly the road damage compensation income
Other non-operating expenses	-4,283	Mainly the road damage expenditure
Impact of income tax on the above extraordinary items	2,102	
Total	-6,287	

Section III Accounting Data and Business Highlights

PREPARED IN ACCORDANCE WITH ACCOUNTING PRINCIPLES GENERALLY ACCEPTED IN HONG KONG (“the Hong Kong Accounting Standards”)

Summary of results

For the year ended 31 December 2009

Unit: RMB'000

	2009	2008	2007	2006	2005
Turnover	2,528,640	2,963,462	2,480,808	1,604,891	1,494,704
Operating profit before taxation	946,516	969,642	1,115,823	1,035,043	890,006
Equity holders of the Company	667,434	670,700	543,243	931,424	686,103
Basic earnings per share (RMB)	0.4024	0.4044	0.3275	0.5616	0.4137

Summary of Assets

As at 31 December 2009

Unit: RMB'000

	2009	2008	2007	2006	2005
Total assets	9,714,830	8,739,408	7,555,858	7,711,396	7,836,196
Total liabilities	4,060,146	3,387,759	2,542,526	2,249,935	2,007,425
Total equity (excluding minority interests)	5,417,382	5,131,428	4,792,450	5,396,351	5,628,696
Equity per share (RMB) (excluding minority interests) (RMB)	3.2662	3.0938	2.8894	3.2535	3.3936

Section III Accounting Data and Business Highlights

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

Reconciliation between PRC and HKGAAP Accounts

	Consolidated net profit (attributable to shareholders of the Company)		Consolidated net profit (attributable to shareholders of the Company)	
	2009 RMB'000	2008 (Restated) RMB'000	31 December 2009 RMB'000	31 December 2008 (Restated) RMB'000
Amount presented in accordance with the CAS	673,449	693,212	5,294,541	5,002,958
Difference and amounts - Valuation and Depreciation/ amortization and deferred taxes	(6,015)	(22,512)	122,841	128,470
Reconciliation to HKAS	<u>667,434</u>	<u>670,700</u>	<u>5,417,382</u>	<u>5,131,428</u>

Reconciliation items

In order to issue "H" share in Hong Kong, the toll roads and related land use rights were valued by a PRC certified public valuer and an international certified public valuer on 30th April and 15th August 1996 respectively. The fair value valuated by the international certified public valuer is higher than the PRC certified public valuer's result by RMB 319,000,000, which was included in the financial statements prepared in accordance with HKFRS. The above difference will have impact on operating results (depreciation/amortization) and related deferred taxes during useful life of concession intangible assets, fixed assets and land use rights of the Group and Company. These differences lead to the reconciliation items presented above.

Section IV Change of Share Capital and Shareholders

I. CHANGES OF SHARE CAPITAL

During the reporting period, the total share capital of the Company was not changed. Due to the circulating of the third part of restricted circulating shares after restricted terms after the Share Segregation Reform, the capital structure of the Company changed.

(I) Change of Share Capital

(Unit: thousand shares)

	Before changes		Allotment	Increases (+) or Decreases (-)			After changes		
	Number of shares	Percentage (%)		Bonus	Transfer from reserves	Restricted circulating shares	Sub-total	Number of shares	Percentage (%)
Restricted circulating shares									
1. State-owned Shares	352,720	21.27				-352,720	-352,720	0	0
2. State-owned legal person shares	181,158	10.92				-181,158	-181,158	0	0
3. Other domestic shares									
Of which: Domestic legal person shares									
Domestic individual shares									
4. Overseas shares									
Of which: Overseas legal person shares									
Overseas individual shares									
Total restricted circulating shares	<u>533,878</u>	<u>32.19</u>				<u>-533,878</u>	<u>-533,878</u>	<u>0</u>	<u>0</u>
Unrestricted circulating shares									
1. Renminbi-denominated ordinary shares	631,722	38.09				+533,878	+533,878	1,165,600	70.28
2. Domestic-listed foreign shares								493,010	29.72
3. Overseas-listed foreign shares	493,010	29.72							
4. Others									
Total unrestricted circulating shares	<u>1,124,732</u>	<u>67.81</u>				<u>+533,878</u>	<u>+533,878</u>	<u>1,658,610</u>	<u>100</u>
Total shares	<u>1,658,610</u>	<u>100</u>				<u>0</u>	<u>0</u>	<u>1,658,610</u>	<u>100</u>

Section IV Change of Share Capital and Shareholders

Approval of the change of share capital structure

The Share Segregation Reform Proposal of the Company was approved at the relevant shareholders' meeting of the A share market held on 27 February 2006. The Record Date was 30 March 2006 and the shares re-traded after the implementation of the Share Segregation Reform Proposal on 3 April 2006. According to the undertakings in the Share Segregation Reform Proposal, the third part of 533,878,000 restricted circulating shares held by AEHC and Huajian Center will be changed to unrestricted circulating shares on 3 April 2009. By now, the total share capital of the Company was still 1,658.61 million shares, all of which were unrestricted circulating shares.

(II) Change of Restricted Shares

Unit: thousand shares

Name of shareholders	Shares free			Restricted shares at the end of the year	Reason for restriction	Trading date of restricted shares
	Restricted shares at the beginning of the year	from the restricted shares in this year	Added restricted shares in this year			
Anhui Expressway Holding Corporation	352,720	352,720		0	—	—
Huajian Transportation Economic Development Center	181,158	181,158		0	—	—
Total	533,878	533,878		0	—	—

Section IV Change of Share Capital and Shareholders

(III) Issue of share and Listing

According to the approval document (Zheng Jian Xu Ke No. [2009] 1074) issued by China Securities Regulatory Commission (“CSRC”), the Company successfully issued Corporate Bonds of RMB2 billion on 17-22 December 2009 through the internet and other ways. The carrying amount of such Bond is RMB100 each. Such Corporate Bonds were issued at par with a term of 5 years, the interest of which is calculated at a fixed simple interest rate of 5% per annum and is payable annually. The principal of the Bond shall be redeemed in full on maturity. According to the approval document (Shang Zheng Zhai Zi No. [2010] 9) issued by the Shanghai Stock Exchange, such Corporate Bonds have been listed in the Shanghai Stock Exchange since 21 January 2010 (Stock Name: 09 Wangtongzhai; Stock Code: 122039). Details relation to Corporate Bonds see “Issue of Corporate Bonds” in Section Major Events.

Type of share and its derivative security	Date of Issuance	Issue Price	Number of Corporate Bonds	Date of Listing	Approved Number of Corporate Bonds listed	Closing Date
Corporate Bonds	17 - 22 December 2009	RMB100 each	20,000,000	21 January 2010	20,000,000	16 December 2014

1. For three years as at the end of the reporting period, the Company did not issue new shares.
2. The total number of shares and the change of share structure

During the reporting period, total number of shares of the Company did not change. For the third restricted shares’ circulating, all the shares of the Company are unrestricted circulating shares.

3. Employees shares

The Company did not issue employees shares.

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

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

(V) Sufficiency of Public Float

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

Section IV Change of Share Capital and Shareholders

SHAREHOLDERS AND REAL CONTROLLER

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

As of 31 December 2009, the total number of shareholders, the ten largest shareholders and the ten largest shareholders of unrestricted circulating shares in accordance with the shareholders' register provided by the Hong Kong and domestic registrars of the Company were as follows:

The total number of shareholders The total number of shareholders of the Company was 63,026, out of which there were one state-owned shareholder, one state-owned legal person shareholder, 62,953 A shareholders and 71 H shareholders.

The ten largest shareholders of the Company

Name of Shareholders	Nature of shareholders	Percentage	Total holding shares at the end of 2008	Change during the reporting period	Number of restricted shares	Shares pledged or locked-up
Anhui Expressway Holding Corporation	State-owned shareholders	31.27%	518,581,000	0	0	No
HKSCC NOMINEES LIMITED (agent)	Overseas shareholders	29.58%	490,639,898	+3,510,000	0	Not clear
Huajian Transportation Economic Development Center	State-owned shareholders	20.92%	347,019,000	0	0	No
Bank of China-Huaxia Large Cap Selective Securities Investment Fund	Others	1.09%	18,006,801	Newly added	0	Not clear
China Everbright Bank Company Limited – Everbright Baodexin Lianghuaixin Securities Investment Fund	Others	0.30%	4,999,990	Newly added	0	Not clear
Pictet Asset Management – Pictet Funds (LUX)	Others	0.24%	3,999,970	Newly added	0	Not clear
Song Yicai	Domestic individual	0.23%	3,835,800	Newly added	0	Not clear
Shanxi Huiteng International Cargo Agent Company Limited	Others	0.15%	2,466,000	-235,699	0	Not clear
Shanshan Longtian Investment Management Company Limited	Others	0.12%	2,000,000	Newly added	0	Not clear
Gao Xinzhen	Domestic individual	0.10%	1,700,854	Newly added	0	Not clear

Section IV Change of Share Capital and Shareholders

The ten largest shareholders of unrestricted circulating shares of the Company

Name of shareholders	The Number of unrestricted circulating shares	Type of shares
Anhui Expressway Holding Corporation	518,581,000	Renminbi-denominated ordinary shares
HKSCC NOMINEES LIMITED (agent)	490,639,898	Renminbi-denominated ordinary shares
Huajian Transportation Economic Development Center	347,019,000	Renminbi-denominated ordinary shares
Bank of China-Huaxia Large Cap Selective Securities Investment Fund	18,006,801	Renminbi-denominated ordinary shares
China Everbright Bank Company Limited - Everbright Baodexin Lianghuahexin Securities Investment Fund	4,999,990	Renminbi-denominated ordinary shares
Pictet Asset Management - Pictet Funds (LUX)	3,999,970	Renminbi-denominated ordinary shares
Song Yicai	3,835,800	Renminbi-denominated ordinary shares
Shanxi Huiteng International Cargo Agent Company Limited	2,466,000	Renminbi-denominated ordinary shares
Shanshan Longtian Investment Management Company Limited	2,000,000	Renminbi-denominated ordinary shares
Gao Xinzhen	1,700,854	Renminbi-denominated ordinary shares

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

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

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

Section IV Change of Share Capital and Shareholders

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

As at 31 December 2009, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons who were, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities of Futures Ordinance, was directly or indirectly, to be interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meeting of any member of the Group were set out as follows:

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

Section IV Change of Share Capital and Shareholders

Names	At the end of period (shares)	Increase/ decrease during the reporting period	Type of shares	As a % of total H Shares	Pledged or locked-up
Commonwealth Bank of Australia	73,496,000(L)	-910,000	H Shares	14.91%	Not known
JPMorgan Chase & Co.	36,461,985(L) 35,671,985 (Shares attributable to lend)	-21,446,337 -22,236,337	H Shares	7.40% 7.24%	Not known
The Bank of New York Mellon Corporation	34,424,237(L) 20,244,237 (Shares attributable to lend)	-6,393,793 Not clear	H Shares	6.98% 4.11%	Not known
Colonial First State Group Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
Colonial Holding Company (No.2) Pty Limited	33,358,000(L)	Not clear	H Shares	6.77%	Not known
Colonial Holding Company Pty Ltd.	33,358,000(L)	Not clear	H Shares	6.77%	Not known
Colonial Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
First State Investment Managers (Asia) Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
First State Investments (Bermuda) Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
The Colonial Mutual Life Assurance Society Ltd	33,358,000(L)	Not clear	H Shares	6.77%	Not known
First State (Hong Kong) LLC	32,166,000(L)	Not clear	H Shares	6.52%	Not known
First State Investments (Hong Kong) Limited	30,712,000(L)	Not clear	H Shares	6.23%	Not known
First State Investments (Singapore)	30,608,000(L)	Not clear	H Shares	6.21%	Not known
First State Investments Holdings (Singapore) Limited	30,608,000(L)	Not clear	H Shares	6.21%	Not known
Franklin Templeton Investments (Asia) Limited	25,106,000(L)	Not clear	H Shares	5.09%	Not known

L = long Position

P = Lending Pool

Save as disclosed herein, the Directors are not aware of any person who was, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance, was directly or indirectly, to be interested in 5% or more of the nominal value of the issued share capital carrying rights to vote in all circumstances at general meetings of any member of the Group, or any options in respect of such capital as at 31 December 2009.

Section IV Change of Share Capital and Shareholders

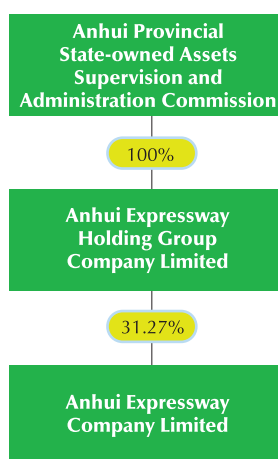
3. The controlling shareholder of the Company

According to “The Reply on Corporate Reform Implementation Scheme of Anhui Expressway Holding Corporation” issued by Anhui Provincial State-owned Assets Supervision and Administration Commission, Anhui Expressway Holding Corporation implemented corporate reform. After the reform, the name of Anhui Expressway Holding Corporation changed to Anhui Expressway Holding Group Company Limited in January 2010 still wholly state-owned company. After change, apart from the change of name and governance structure, AEHC and Anhui Expressway Group are the same enterprise legal person and Anhui Provincial State-owned Assets Supervision and Administration Commission is the only legal shareholder.

Name	Anhui Expressway Holding Group Company Limited (formerly known as Anhui Expressway Holding Corporation)
Legal representative	Zhou Renqiang
Date of establishment	27 April 1993
Registered capital	RMB4,525,819,000
Business scope	Planning, design, supervision, technical consultation and ancillary service of highway construction, Real Estate investment and motor vehicles fittings and storage.

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

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



Section IV Change of Share Capital and Shareholders

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

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

Section V Directors, Supervisors, Senior Management and Staff

I DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Basic information of directors, supervisors and senior management during the year

Name	Sex	Age	Position	Terms of office	Rewards drawn from the Company of the year (RMB'000)
Wang Shui	M	61	Chairman	August 2008 -March 2010	586
Li Yungui	M	58	Director, General Manager	August 2008-August 2011	352
Tu Xiaobei	M	56	Deputy Chairman	August 2008 -August 2011	352
Li Junjie	M	50	Director, Deputy General Manager	August 2008 -August 2011	352
Liu Xianfu	M	46	Non-executive Director	August 2008 -August 2011	80
Meng Jie	M	33	Non-executive Director	August 2008 -August 2011	80
Leung Man Kit	M	57	Independent Director	August 2008 -August 2011	120
Guo Shan	F	44	Independent Director	August 2008 -August 2011	80
Li Mei	F	46	Independent Director	August 2008 -August 2011	80
Li Huaijie	M	62	Chairman of Supervisory Committee	August 2008 -March 2010	352
Yang Yicong	M	54	Supervisor	August 2008 -August 2011	352
Dong Zhi	M	30	Supervisor	August 2008 -August 2011	60
Xie Xinyu	M	43	Deputy General Manager, Company Secretary	August 2008 -August 2011	246
Wang Changyin	M	47	Deputy General Manager	August 2008 -August 2011	246
Liang Bing	F	43	Manager of Financial Department	December 2002 up to now	172

The above persons did not hold shares of the Company during the reporting period.

Section V Directors, Supervisors, Senior Management and Staff

2. Positions held by Directors, Supervisors and Senior Management in AEHC and Huajian Center in 2009

Name	Name of shareholders	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Wang Shui	AEHC	General Manager	From July 1998 to November 2009	No
Li Yungui	AEHC	Deputy General Manager	From January 2010 up to now	No
Tu Xiaobei	AEHC	Deputy General Manager	From July 1998 up to now	No
Li Junjie	AEHC	Deputy General Manager	From October 2009 up to now	No
Liu Xianfu	Huajian Center	Chief Financial Officer	From April 2007 up to now	Yes
Meng Jie	Huajian Center	Deputy Manager of First Department of Shares Management	From June 2008 up to now	Yes
Dong Zhi	Huajian Center	First Department of Shares Management	From April 2004 up to now	Yes

Section V Directors, Supervisors, Senior Management and Staff

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

Name	Other units in which they hold post	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Tu Xiaobei	Xuanguang Expressway Company Limited	Chairman	From July 1998 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Chairman	From April 2008 up to now	No
	Anhui Liuqian Expressway Company Limited	Chairman	From March 2004 up to now	No
	Anhui Guangci Expressway Company Limited	Chairman	From February 2005 up to now	No
Li Junjie	Anhui Expressway Media Company Limited	Chairman	From January 2010 up to now	No
Liu Xianfu	Guangxi Wuzhou Transportation Company Limited	Deputy Chairman	From August 2003 up to now	Yes
	Hubei Chutian Expressway Company Limited	Director	From May 2006 up to now	Yes
	Northeast Expressway Company Limited	Chairman of Supervisory Committee	From July 2008 up to now	Yes
	Sichuan Expressway Company Limited	Director	From January 2009 to October 2009	Yes
Meng Jie	Guangxi Wuzhou Transportation Company Limited	Director	From May 2005 up to now	Yes
	North China Expressway Company Limited	Director	From August 2008 up to now	Yes
	Northeast Expressway Company Limited	Director	From July 2008 up to now	Yes
	Zhongyuan Expressway Company Limited	Director	From November 2009 up to now	Yes
Leung Man Kit	Huading Group Holding Company Limited	Independent Non-executive Director	From November 2005 up to now	Yes
	Netease.Com Inc	Independent Non-executive Director	From July 2002 up to now	Yes
	Junefield Department Store Group Limited	Independent Non-executive Director	From December 2002 up to now	Yes
	Golden Harvest Entertainment (Holdings) Limited	Independent Non-executive Director	From January 2008 up to now	Yes
Li Mei	Jiahe Life Insurance Company Limited	General Manager of Financial Department	From February 2006 up to now	Yes

Section V Directors, Supervisors, Senior Management and Staff

Name	Other units in which they hold post	Position	Term of office	Whether draw their rewards and allowance (yes or no)
Guo Shan	Beijing S & P Law Firm	Partner, Deputy Director	From June 1998 up to now	Yes
Yang Yicong	Xuanguang Expressway Company Limited	Chairman of Supervisory Committee	From July 1998 up to now	No
	Anhui Expressway Media Company Limited	Chairman of Supervisory Committee	From August 2008 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Supervisor	From April 2008 up to now	No
Dong Zhi	Northeast Expressway Company Limited	Supervisor	From July 2008 up to now	Yes
	Sichuan Expressway Company Limited	Supervisor	From October 2009 up to now	Yes
Xie Xinyu	Anhui Kangcheng Pharmaceutical Company Limited	Chairman	From July 2008 up to now	No
	Hefei Information Investment Company Limited	Director	From March 2007 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Director	From April 2008 up to now	No
Wang Changyin	Xuanguang Expressway Company Limited	Director	From March 2006 up to now	No
Liang Bing	Xuanguang Expressway Company Limited	Chief Financial Officer	From July 1998 up to now	No
	Anhui Kangcheng Pharmaceutical Company Limited	Chief Financial Officer	From September 2002 up to now	No
	Anhui Ningxuanhang Expressway Investment Company Limited	Chief Financial Officer	From April 2008 up to now	No

Section V Directors, Supervisors, Senior Management and Staff

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

Name	Position	Leaving reason
Wang Shui	Chairman	Retirement
Li Huaijie	Chairman of Supervisory Committee	Retirement

Mr. Wang Shui, Chairman of the Company and Mr. Li Huaijie, Chairman of the Supervisory Committee of the Company applied for resignation for retirement, the resign application was approved at the 13th meeting of the 5th Board of the Directors and 7th meeting of 5th Supervisory Committee held on 29 January 2010 and became effective from the date of electing new director and supervisor at the Extraordinary General Meeting held on 26 March 2010.

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

Mr. Zhou Renqiang and Mr. Wang Weisheng were elected as the new director and supervisor respectively at the 2010 First Extraordinary General Meeting held on 26 March 2010. Mr. Zhou Renqiang was elected as the Chairman of the Company at the 14th meeting of 5th Board of Directors and appointed as the Chairman of Strategic Development and Investment Committee of the Company; Mr. Wang Weisheng was elected as the Chairman of the Supervisory Committee of the Company at the 8th meeting of 5th Supervisory Committee.

III EMOLUMENTS OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. The emoluments of the directors and supervisors were considered and approved by the General Meeting of the Company. The emoluments of Directors and supervisors were paid according to their respective emolument contracts signed with the Company. The emoluments of the senior managements were considered and approved by the Board of the Company. Senior management were paid according to their respective emolument contracts signed with the Company.
2. During the year, all of the five highest paid individuals of the Company were directors and supervisors of the Company.

Section V Directors, Supervisors, Senior Management and Staff

IV SENIOR MANAGEMENT'S PERFORMANCE APPRAISAL AND INCENTIVE

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

V OTHER INFORMATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Service contract of directors and supervisors

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

- (1) Each service contract was in effect from 17 August 2008 for a term of three years.
- (2) According to the service contract, for the three years commencing from 17 August 2008, the chairman will receive a remuneration of RMB600 thousand annually. Every executive director will receive a remuneration of RMB360 thousand annually. In addition, the chairman and other executive directors will be entitled to receive bonuses of RMB50 thousand respectively and RMB30 thousand respectively after every year of completed service.
- (3) For the three years commencing from 17 August 2008, each of the non-executive directors will receive an annual transportation allowance/a director's fee of RMB80 thousand respectively, each of the domestic independent non-executive directors will receive an annual transportation allowance/director's fee of RMB80 thousand respectively and each of the overseas independent non-executive directors will receive an annual transportation allowance/director's fee of RMB120 thousand respectively. Non-executive directors were not entitled to receive any bonus. Non-executive directors and independent non-executive directors were not entitled to receive any bonus nor required to enter into any service contract with the Company.

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

2. Directors' and supervisors' interests in contracts

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

Section V Directors, Supervisors, Senior Management and Staff

3. Interests held by directors and supervisor in competitive business

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

4. Model code for securities transactions by directors and supervisors

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

5. Independence of Independent Directors

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

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

7. Interests to be disclosed

As at 31 December 2009, none of the Directors and chief executives of the Company had or was deemed to have any interests or short positions in any shares, or underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests which he was taken or deemed to have under such provisions of the Securities and Futures Ordinance or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and the Takeovers Code.

Section V Directors, Supervisors, Senior Management and Staff

VI BIOGRAPHY OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

1. Biography of Directors, Supervisors and Senior Management during the year

(1) Directors

Executive Directors

Mr. Wang Shui, Born in 1949, Senior Engineer, Chairman of the Company from August 1996 to March 2010. He was graduated from Hehai University in 1978 and held post as the Deputy Commander of Anhui Expressway Engineering and Constructions Office and Deputy Chairman of Anhui Department of Communications, he held post as the General Manager and Deputy Secretary of the Party Committee of AEHC etc. commencing from July 1998 to November 2009, he has 30 years of rich experience in transportation. In 2000, his outstanding performance in corporate management was recognized by the provincial government and was awarded the "Contribution Prize" Golden Award and the "Provincial Model Worker". In 2003, Mr. Wang was awarded "The Second Anhui Ten Largest Economic Persons".

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

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

Mr. Li Jun Jie, Born in 1959, Director and Deputy General Manager of the Company, Postgraduate Diploma. He has held positions as deputy director of Organization Department and director of Propaganda Department of Anhui Communist Youth League, deputy director of Operation Division and Secretary of Party General Branch of Bengbu Administration Office of AEHC, Deputy General Manager of the Company. He is now the Deputy General Manager of the AEHC.

Section V Directors, Supervisors, Senior Management and Staff

Non-Executive Directors

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

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

Independent Non-executive Directors

Mr. Leung Man Kit, Born in 1953, He has worked in investment bank and has over 25 years of experience in the field of project finance and enterprise finance. He has held senior positions with Peregrine Capital Limited, Corsby Securities Limited, Warburg Dillion Read and Ke Capital (Hong Kong) Limited. He has also represented AIG Asian Infrastructure Fund on the board of directors of its investee companies. Mr. Leung is now the independent non-executive director of Netease. Com Inc, Junefield Department Store Group Limited, China Ting Group Holdings Limited and Golden Harvest Entertainment (Holdings) Limited.

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

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

Section V Directors, Supervisors, Senior Management and Staff

(2) *Supervisors*

Mr. Li Huai Jie, Born in 1948, Senior Economist, Chairman of the Supervisory Committee of the Company from October 2006 to March 2010 . Mr. Li has worked for Anhui Provincial Planning Economy Commission, Anhui Provincial Energy Group Company Limited, Anhui Provincial Investment Group Company Limited, Anhui Wanneng Company Limited and China Anhui International Economic and Technology Cooperation Corporation with post of Deputy Director, Deputy General Manager, Deputy Chairman, Secretary to the Party Committee and General Manager respectively. He was the Deputy Secretary to the Party Committee of AEHC from August 2006 to December 2008.

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

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

Section V Directors, Supervisors, Senior Management and Staff

(3) *Other Senior Management*

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

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

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

Section V Directors, Supervisors, Senior Management and Staff

2. Biography of New Director and Supervisor

Mr. Zhou Ren Qiang, Born in 1955, Senior Economist and Senior Political Engineer. He was graduated from Anhui University majored in Chinese Language & Literature in 1982 and subsequently obtained his master degree in arts from Guangxi Normal University in 1984. Mr. Zhou had been the Monitor, the Head and the Assistant to Director of the Policy Inspection Bureau of the Policy Research Office of the Provincial Committee of Anhui Province, the Assistant to the Mayor of Tongling Municipal Government, the Deputy Director of the Municipal Office of the Provincial Committee of Anhui Province, the Deputy Secretary of the Provincial Committee of Anhui Province and the Director of the Policy Research Office of the Provincial Committee of Anhui Province. He is currently the Chairman and Secretary of the Party Committee of Anhui Expressway Holding Group Company Limited and a member of the Eighth Provincial Committee of the Communist Party of the PRC of Anhui Province. He was appointed as the new director of the Company on 26 March 2010 and elected as the Chairman of the Company at the 14th meeting of the 5th Board of Directors.

Mr. Wang Wei Sheng, Born in 1954, Senior Political Engineer. He was graduated from Anhui Workers University majored in Philosophy in 1979. Mr. Wang had been the Monitor, the First Class Monitor, the Deputy Head and the Head of the chief tribunal of the organisation division of the Provincial Committee of Anhui Province. He had also been a member of the Party Committee, deputy general manager and the Secretary of the Disciplinary Committee of the group of Anhui Wanneng and was the director, the vice chairman of the board of directors and the chairman of the supervisory committee of Anhui Wanneng Company Limited. He is the Deputy Secretary of Party Committee and the Secretary of the Disciplinary Committee of Anhui Expressway Holding Corporation. He was appointed as the new supervisor of the Company on 26 March 2010 and elected as the Chairman of the supervisory committee of the Company at the 8th meeting of the 5th Supervisory Committee.

Section V Directors, Supervisors, Senior Management and Staff

VII STAFF AND TRAINING

As of 31 December 2009, the Company had 1,475 staff and the retired employees were 21.

1. Profession composition

Profession type	Number
Management and professional staff	454
Toll collection and production staff	1021

2. Education

Education type	Number
Postgraduate diploma	23
University diploma	162
College graduate	584
Secondary vocational diploma	239
Senior high school and below	467

Staff Wages

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

Section V Directors, Supervisors, Senior Management and Staff

Staff Insurance and Welfare Protecting

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

In addition to the above social security plans, the Company established a multi-level social security system, which protects the benefits of staff and strengthens the cohesion, unity and competitiveness of the Company. In 2008, the Company had completed the establishment of an enterprise pension plan according to the actual situation of the Company and relevant requirements of the Enterprise Pension Tentative Procedures.

Staff Training

The Company pays great attention to staff training and establishes actual, applicative and effective plan according to the Company's demands. The training mainly includes improving the Management' overall management level, improving staff's post skill, professional technical staff's continuous education and special staff's working with certificate. During the reporting period, the Company held different special trainings to continuously renew and rich staff's theory and business knowledge.

Section VI Corporate Governance Structure and Governance Report

I. Corporate Governance

A well-established corporate governance is for meeting the basic requirements of regulatory authorities on listing companies and, more importantly, the inherent needs for the development of the Company. A scientific and standardized system, mutual supervisory regime and effective enforcement are essential to the healthy and sustainable development of the Company.

The Company is concurrently listed in Shanghai Stock Exchange and Hong Kong Stock Exchange and complies with relevant laws and regulations. In practising corporate governance, the Company strictly complies with the Code of Corporate Governance for Listed Companies of CSRC and the Code of Corporate Governance Practices of Hong Kong Stock Exchange. In addition, the Company complies with the regulatory requirements in different markets and directed its daily activities in strict compliance with various corporate governance systems. The Company is committed to enhancing the transparency and independence of the Company's operations, enhancing its corporate governance standards on a continuous basis and ensuring the stable development of the Company and striving for the enhancement of shareholder value.

During the reporting period, there were no differences between the actual conditions of the Company's corporate governance and the requirements of the CSRC's related laws and regulations. The Company had also fully adopted the respective code provisions set out in the Code on Corporate Governance Practices of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

1. Review on relevant corporate governance activities

In accordance to with the requirements of CSRC, the Company took initiatives in the corporate governance activities and the rectification involved was completed in 2008. During the reporting period, there was no issue that had not been rectified and no new issue that was required to rectify.

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

During the reporting period, in accordance with the requirements of relevant documents of the CSRC and the Shanghai Stock Exchange, the Company made further supplements to its governing system by formulating the "Terms of Reference for the Audit Committee" and amending the "Articles of Association" and "Information Disclosure Management System".

Section VI Corporate Governance Structure and Governance Report

3. Establishment of the internal control system of the Company

General Proposal
on Establishing
Internal Control

The Company established and improved internal governance and corporate structure, to formulate a scientific system of decision making, execution and supervisory, in order to achieve the Company's goals on business and management and streamline the operating activities, according to the requirements of the Company Law, the Securities Law, the Accounting Law, Basic Rules for Internal Control of Companies and Guidelines on Internal Control for Listed Companies.

Comprehensive Working Plan
for Internal Control System
and its Implementation

The Company established a relatively comprehensive internal control system according to the actual conditions of the Company and based on the principal of comprehensiveness, mutual supervisory, applicability and cost effectiveness; and ensured that the production operation is under control by making due consideration in five fundamental elements in respect of all levels and procedures in the production operation and management of the Company, including internal environment, risk evaluation, control measures, information and communication and internal supervisory, all of which cover the areas including corporate governance, management of proceeds from subscription, information disclosure, human resources management, financial and budget management and operational management of the Company.

The Establishment of
Examination and
Supervisory Department
of Internal Control

The Audit Committee under the Board of Directors and the Department of Auditing are responsible for the communication, supervisory and examination of internal and external auditing of the Company respectively.

The Implementation of
Self-Evaluation of Internal
Supervision and Control

A comprehensive and reasonable internal control system is established according to the actual condition and management needs of the Company. The established internal control system connects all levels and procedures in the business activities of the Company and is implemented effectively. (For details, please refer to the Revaluation Report of Internal Control System)

Section VI Corporate Governance Structure and Governance Report

Arrangements made by the Board of Directors in respect of Internal Control

The Board of Directors of the Company has reviewed the Revaluation Report of Internal Control System annually since 2008 and has regularly listened to the report of execution of all systems. The Board of Directors also continuously made recommendation to optimise and improve its systems according to the new requirements and provisions of the prevailing internal control measures; and to examine and supervise the establishment and effectiveness of the implementation of the internal control system by coordinating the internal auditing department.

The Optimisation of Internal Control System regarding the Financial Auditing

The Company established an independent accounting department, in which the positions, responsibility and authority are reasonably established in respect of financial management and auditing. Relevant accounting personnel are appointed to ensure that the financial and accounting activities are conducted successfully. The personnel of the accounting department have a clear division of labour and are accountable for their own position. All positions are mutually supervisory and the responsibilities of approval, execution and recording are separated.

The Deficiencies and Rectifications of Internal Control

During the reporting period, the structure and execution of the internal control system of the Company are in compliance with relevant requirements of regulatory authorities, and there was no major deficiencies in the structure and execution of the internal control system of the Company. The Company will further improve the internal control system and optimise the long term internal control regime, enhance prevention in risk control, strengthen supervision and improve efficiency and effect of internal control system, and protect the interests of all investors in accordance with the regulatory requirements.

4. Disclosure on Self-Evaluation Report of Internal Control and Report of the Performance of Corporate Social Responsibilities

Whether the Company discloses the Self-Evaluation Report of Internal Control and Report of the Performance of Corporate Social Responsibilities: Yes

Address of disclosure website: <http://www.sse.com.cn>, <http://www.ahui-expressway.cn>

Whether the Company discloses the recommendations of approval organizations on the evaluation of the Report of Internal Control: No

Section VI Corporate Governance Structure and Governance Report

5. Accountability System in relation to Serious Faults in Information Disclosure in the Company's Annual Report

The Company established the Annual Reporting System of Independent Directors and Annual Reporting Procedures of Audit Committee relating to the working system and procedures. The independent directors and the Audit Committee are advised to, from their third party perspective and professional judgment respectively, closely supervise the preparation of the annual report to ensure its quality and faithfulness.

According to the requirements set out in the Announcement regarding 2009 Annual Reporting and Relevant Work of Listing Company issued by CSRS (CSRS's Announcement No. [2009]34), the resolution of Accountability System in relation to Serious Faults in Information Disclosure in the Annual Report was approved in the 15th meeting of the 5th Board of Directors on 6 April 2010. Detailed provisions regarding accountability system in relation to serious faults in information disclosure in the annual report and relevant punishment were specified.

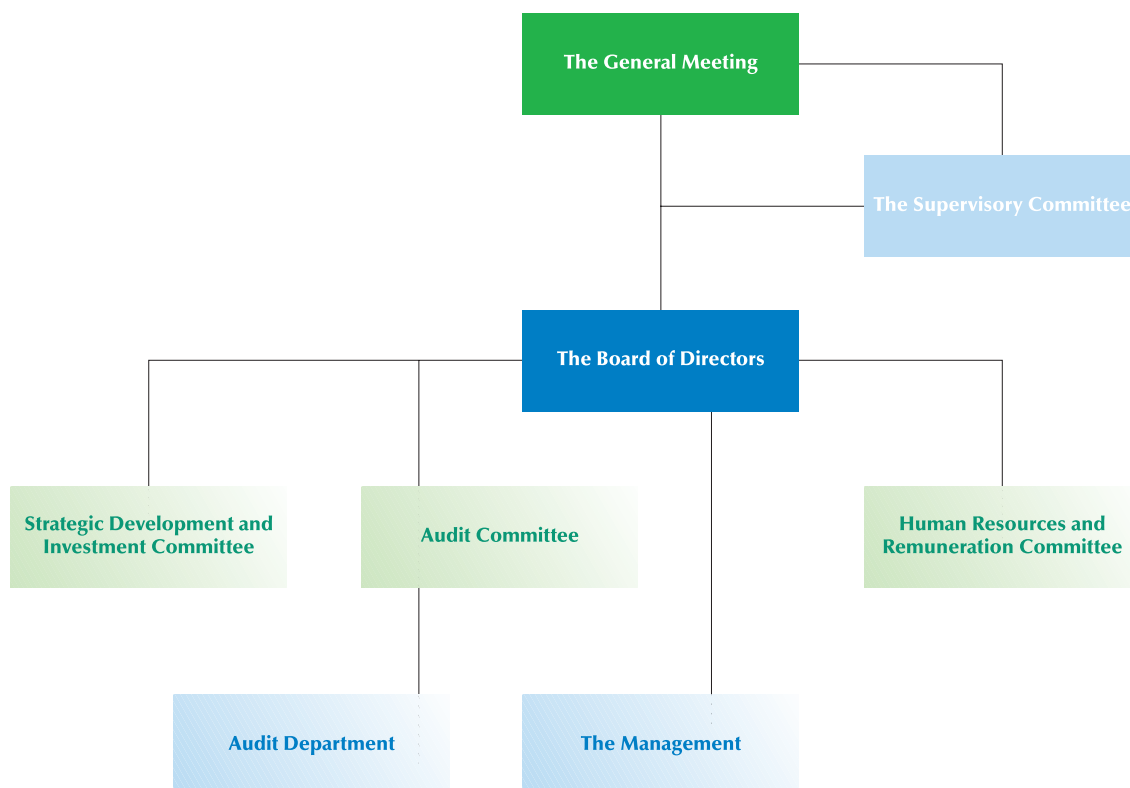
During the reporting period, there was no rectification of serious accounting fault, supplement to omission of material information and clarification of results forecast.

6. Establishment of Management System in External Information User of the Company

According to the requirements set out in the Announcement regarding 2009 Annual Reporting and Relevant Work of Listing Company issued by CSRS (No. [2009]34), the resolution of Management System of Distribution and Use of External Information of the Company was approved in the 15th meeting of the 5th session of Board of Directors on 6 April 2010.

Section VI Corporate Governance Structure and Governance Report

II. Legal person governance structure of the Company



(I) Shareholders and Stakeholders' General Meeting

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

Substantial shareholders

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

Section VI Corporate Governance Structure and Governance Report

Independence compared to controlling shareholders

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

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

Shareholders' general meeting

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

Section VI Corporate Governance Structure and Governance Report

(II) Directors and the Board of Directors

1. *The Board of Directors*

(1) *Obligation and division of work*

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

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

(2) *Composition*

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

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

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

(3) *The Board Meeting*

In 2009, the Company held 9 Board meetings and details are set out as follows:

- To consider annual, interim and quarterly financial report;

Section VI Corporate Governance Structure and Governance Report

- To consider annual working report of the Board;
- To consider annual profit appropriation plan;
- To consider and pass items of change of accounting policy and reappointment of auditors;
- To consider and pass the Company's internal control system and the Board of Directors' evaluation report and social responsibility report to the Company's internal control;
- To consider the amendment of Articles of Association;
- To consider the scheme of adjusting internal directors' and supervisors' remuneration of the Company;
- To consider the proposed issuance of corporate bonds and authorize the Board to choose issuance of corporate bonds or bonds with warrants and relevant items;
- To set up or revise part of corporate governance rule, including "Working Regulation of Audit Committee" and "Corporate Information Disclosure Management System (2009 revised)";
- To consider establish a sponsored ADR facility;
- To consider connected transactions of relevant highways' entrusted management, house lease of Wantong Expressway Hi-tech Industrial Park, entrusted construction of widening of Hening Expressway, entrusted construction and management of Wantong Expressway Hi-tech Industrial Park and bridge decoration of reconstruction project of Gaojie Expressway.

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

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

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

The Directors acknowledge that is their responsibilities in preparing the financial statements. The responsibilities of the independent external auditor with respect to financial reporting are set out in the Independent Auditor's Report in this Annual Report.

Section VI Corporate Governance Structure and Governance Report

2. *Directors*

(1) *Appointment*

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

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

(2) *Information support and professional development*

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

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

Section VI Corporate Governance Structure and Governance Report

(3) Annual implementation

In 2009, the rate of attendance of the Board meeting was 100%.

Name	Position	Number of Meetings should be attended	Attendance in person	Number of meetings by means of communication	Number of meetings of commission attendance	Number of absence	Whether twice successive attendance in person
Wang Shui	Chairman	9	3	6	0	0	No
Li Yungui	Director and General Manager	9	3	6	0	0	No
Tu Xiaobei	Vice Chairman	9	3	6	0	0	No
Li Junjie	Director and Deputy General Manager	9	3	6	0	0	No
Liu Xianfu	Non-executive Director	9	3	6	0	0	No
Meng Jie	Non-executive Director	9	3	6	0	0	No
Leung Man Kit	Independent Director	9	3	6	0	0	No
Li Mei	Independent Director	9	3	6	0	0	No
Guo Shan	Independent Director	9	3	6	0	0	No
Number of Board meetings during the 2009		9					
Of which: Number of on-site meetings		3					
Number of meetings by means of communication		6					
Number of meetings on the spot combination of communication		0					

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

Section VI Corporate Governance Structure and Governance Report

(4) *Performance of independent directors*

All independent directors of the Company can perform duties independently and are independent of substantial shareholders, effective controller or other entities or individuals who have interests with the Company. The three independent directors of the Company serve important responsibilities and positions in three specific committees of the Board of Directors. The chairman of the specific committee (other than the Strategic Development and Investment Committee) is served by an independent director with relevant experience or qualifications. In addition, the independent directors convene meeting with external auditors to discuss issues relating to annual auditing and give independent advices and make recommendations on directors' remuneration, guarantees to external parties and connected transactions in accordance with the relevant requirements and guidance. Independent Directors make valuable contribution in protecting the interests of the Company on a whole and the legal interests of all shareholders, and facilitating the healthy development of the Company.

In 2009, the Independent Directors did not object to the decisions of the Board aforesaid, nor suggested to hold Board meeting..

(5) *Directors' remuneration*

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

(6) *Independence of Directors*

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

(7) *Securities Transactions by Directors*

For securities transactions by Directors, the Company has adopted the code provisions on the trading of shares of the Company by Directors contained in the "Model Code for Securities Transactions by Directors of Listed Issuers" ("Model Code for Securities Transactions") as set out in the Appendix 10 of the "Listing Rules". After making specific enquiries of all directors, the Company confirms that all Directors fully complied with the "Model Code for Securities Transactions" in 2009.

Section VI Corporate Governance Structure and Governance Report

(III) Specific Committees of the Board

The Board of Directors established three specific committees in order to facilitate the Board of Directors in performing duties and operating effectively. Each of the committee, which has specific responsibilities as defined in the Authority Scope Letter, shall make review and conduct examination in specific scopes of the Company and make recommendations to the Board of Directors, but all matters are subject to the approval of the Board of Directors.

Strategic Development and Investment Committee (the “Strategic Committee”)

The Strategic Committee was established in August 2002, the committee members of which include Mr. Zhou Renqiang (Chairman), Mr. Li Yungui, Mr. Tu Xiaobei, Mr. Liu Xianfu and Mr. Leung Man Kit.

Obligations

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

Main works in 2009

The Strategic Committee’s Report

To determine the development strategies and goals of the Company by conducting research and review on macroeconomic policies and industrial development policies and trend, conducting examination and assessment on the conditions of Company’s development, and communication and exchange of opinions with the management and staff, so that the direction for the Company’s development in a specific period in the future can be determined.

Members of Strategic Committee: Zhou Renqiang, Li Yungui,
Tu Xiaobei, Liu Xianfu and Leung Man Kit
6 April 2010

Audit Committee

The Audit Committee was set up in August 1999 and comprised mainly of Independent Directors. As at 31 December 2009, members of the committee were Ms. Li Mei (Chairman), Mr. Liu Xianfu and Ms. Guo Shan.

Obligations

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

Section VI Corporate Governance Structure and Governance Report

Main works in 2009

Audit Committee's Report

The Audit Committee held four meetings in 2009 at which the Management, the financial controller and the audit controller reported on the financial position of the Company and major matters related to internal control. All Committee members attended the meetings. The Audit Committee reviewed the 2008 Financial Report unaudited 2009 First Quarterly and Third Quarterly Financial Reports prepared in accordance with the PRC Accounting Standards and the unaudited Interim Financial Report for the first six months and proposed to the Board for approval and made recommendations on the engagement of domestic and foreign external auditors to the Board of Directors. In addition, the Audit Committee was responsible for supervising and examining the internal auditing of the Company and the execution of internal control of the Company, listening to the working report of the auditing department and providing professional opinions in internal control and risk control standards of the Company.

The Audit Committee played its supervisory role in annual reporting according to relevant requirements set out in the Notice regarding 2009 Annual Reporting of Listing Company and Procedures of Annual Reporting of the Company to ensure the timely disclosure of 2009 Annual Report.

Before the annual audit of the certified public accountants, the Audit Committee reviewed the Group's working plan and financial and accounting statement and issued written opinions. In the course of auditing, the members of the Audit Committee communicated with the accountants and conducted various discussions and information exchange by ways of calls and emails to ensure that both parties have consistent knowledge in material issues and relevant accounting treatments are appropriate. In addition, the members of the Audit Committee supervise the accountants to submit the auditing report within the agreed period. After the certified public accountants for auditing of the year issued preliminary auditing opinions, the Audit Committee reviewed the Company's financial and accounting statements again and considered that such financial and accounting statements faithfully reflected the overall status of the Company.

The Audit Committee considered that the Company's 2009 auditors - Pricewaterhouse Coopers Zhong Tian Certified Public Accountants Co., Ltd. and Pricewaterhouse Coopers Certified Public Accountants fulfilled their obligations, followed the principle of independence, objectivity and fairness, and duly accomplished various works assigned by the Company in the process of the audit for the Company. Accordingly, the Audit Committee recommended to re-appoint the above auditors as the Company's 2010 auditors and submitted to the Board of Directors and Shareholders' General Meeting for considering and approving.

Members of Audit Committee: Li Mei, Liu Xianfu and Guo Shan
6 April 2010

Section VI Corporate Governance Structure and Governance Report

The Human Resources and Remuneration Committee (the “Remuneration Committee”)

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

Obligations

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

Main works in 2009

Remuneration Committee’s Report

During the reporting period, the Remuneration Committee’s main works included:

- (1) In order to cope with the effects of the financial crisis and to guarantee a stable and healthy development of the Company, the Remuneration Committee formulated a plan regarding adjusting remuneration of the Company’s directors and supervisors. The plan was submitted to the Board of Directors and Shareholders’ general meeting for considering and approving.
- (2) The Remuneration Committee examined the disclosure relation to remuneration of directors, supervisors and senior management in 2009 Annual Report, and considered that the data disclosed was true and accurate. The Remuneration Committee confirmed that, except the abovementioned, all directors, supervisors and senior management of the Company did not hold any shares or share options of the Company and were not granted any restricted shares. The Remuneration Committee also confirmed that no share incentive plan was implemented during the reporting period.
- (3) The Remuneration Committee examined and evaluated the performance of the management in 2009, and considered that the operational level of the management achieved operation management objectives which were set by the Board of Directors at the beginning of the year.

Members of Remuneration Committee: Leung Man Kit, Meng Jie and Guo Shan
6 April 2010

Section VI Corporate Governance Structure and Governance Report

III. Control System

1. Supervisory Committee

The Supervisory Committee consists of 3 supervisors, including 2 shareholder's representatives and 1 employee's representative. The number of supervisors and the composition has complied with the requirements of the rules and regulations.

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

The Secretary to the Board of the Company also assumes the duties of the secretary to the Supervisory Committee, and is responsible for its day-to-day affairs and facilitates communication between the Supervisory Committee and the Board as well as the management. In 2009, the Supervisory Committee convened four meetings, supervised the performance of duties by the Company's financial personnel, Directors and Senior Management in compliance with the laws and regulations on behalf of shareholders, attended all the Board meetings and Shareholders' General Meetings, and conscientiously performed its duties. The details of the relevant work are set out in the "Supervisory Committee's Report" of this annual report.

2. Internal Control

A comprehensive and practicable internal control system is fundamental to a well-established corporate governance. The Board of Directors is responsible for establish and maintain the internal control systems of the Company so as to review the financial, operational and supervisory control procedures, and protect the interests of shareholders and safety of the Company's assets.

In 2009, the Board of Directors continuously reviewed the internal control system of the Company and prepared the Self-evaluation Report Regarding of Internal Control of the Company, to elaborate and explain the objectives of internal control, the composition and implementation of the internal control systems and the overall evaluation results. For details, please refer to the Self-evaluation Report Regarding of Internal Control of the Company.

Section VI Corporate Governance Structure and Governance Report

3. Auditors

The financial statements in the 2009 annual report was prepared in accordance with the PRC Accounting Standards and Hong Kong Accounting Standards, which have been audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants respectively.

The fees paid to the above accountants for 2009 were as follows:

	Unit: RMB	
	2009 Audit fees	2008 Audit fees
PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd	925,000	925,000
PricewaterhouseCoopers Certified Public Accountants	925,000	925,000

Apart from the said fees, the Company did not pay any other fees to the auditors. Traveling and lodging expenses were paid by the auditors. As at 2009, they have provided services to the Company for 8 years and changed signed certified public accountant from 2006.

The audit committee has discussed and evaluated the accountants' professional quality and the execution of 2009 audit work and presented relevant opinions and improving ideas. The audit committee recommends to appoint PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd and PricewaterhouseCoopers Certified Public Accountants as the Company's 2010 auditors, which was approved at the Board and presented to be approved or authorized at 2009 Annual General Meeting.

IV. Information Disclosure and Investor Relations

Information Disclosure

Information disclosure is not only an obligation of a listed company, but it is also an effective connection for communication and understanding between the company and its investors, supervisory authorities and the public, in order to facilitate a widespread and full understanding of the Company's value.

The Company has faithfully fulfilled the legal information disclosure obligation and disclosed information on time with truthfulness, accuracy and completeness strictly according to the requirements of relevant laws and the Listing Rules to ensure information disclosure in an open, fair and just way and that all shareholders can enjoy equal and full right of accessing information, and increase the transparency of the Company. In case there is any difference between the requirements of Hong Kong Stock Exchanges and Shanghai Stock Exchange, the Company shall prepare documents and make disclosures as much as possible and as strict as possible.

Section VI Corporate Governance Structure and Governance Report

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

Number	Date	Items
1	2 March 2009	Resolution announcement of the 4th meeting of the 5th Board
2	4 March 2009	Announcement on adjustment of extra tolls imposed on overloaded goods vehicles with reference to their weight on Ninghuai Expressway Tianchang Section
3	4 March 2009	Continuing connected transactions announcement
4	9 March 2009	Resolution announcement of the 5th meeting of the 5th Board
5	9 March 2009	Resolution announcement of the third meeting of the 5th Supervisory Committee
6	9 March 2009	Notice of 2008 Annual General Meeting
7	25 March 2009	Supplementary announcement to 2008 annual report
8	25 March 2009	Continuing connected transactions announcement
9	30 March 2009	Announcement on trading of restricted circulating shares
10	27 April 2009	Resolution announcement of 2008 Annual General Meeting
11	27 April 2009	Resolution announcement of the 6th meeting of the 5th Board
12	25 May 2009	Implementation announcement of 2008 profit appropriation
13	18 June 2009	American depository receipt facility
14	1 July 2009	Announcement on adjustment of toll rates on goods vehicles with reference to their weight of Ninghuai Expressway Tianchang Section
15	24 August 2009	Resolution announcement of the 8th meeting of the 5th Board
16	1 September 2009	Announcement of the corporate bonds' application approved by the Issuance Examination Commission of China Securities Regulatory Commission
17	11 September 2009	Continuing connected transactions announcement
18	16 October 2009	Announcement of the corporate bonds' application approved by China Securities Regulatory Commission
19	15 December 2009	Issuance announcement of "09 Wangtong Bonds"
20	15 December 2009	Online roadshow announcement of "09 Wangtong Bonds"
21	15 December 2009	Prospectus of "09 Wangtong Bonds"
22	15 December 2009	Summary of prospectus of "09 Wangtong Bonds"
23	17 October 2009	Nominal interest rate announcement of "09 Wangtong Bonds"
24	23 October 2009	Issuance results announcement of "09 Wangtong Bonds"

Section VI Corporate Governance Structure and Governance Report

Investor Relations

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

Following methods were taken in investor relationship activities:

- To answer investor's enquires through telephone and E-mail about 1500 times in 2009;
- Daily receipt of investor's and analyst's visit of 15 times about 40 person in 2009;
- Participation in large investor promotional activities;
- To hold results representation and domestic and overseas road shows;
- Investors and the public can enquiry the following information through the Company's website :the corporate basic information, information for users (including highway map of Anhui Province, introduction of the highways of the Company, location of toll gates and toll rates), corporate governance regulation, information disclosure documents and monthly operation statistics. The Company will strengthen the management and construction of the contents of website to provide more fruitful and immediate enquires.

Section VI Corporate Governance Structure and Governance Report

Major investor relationship activities in 2009:

- The Company participated in the 9th UBS Greater China Conference held by UBS in Shanghai in January 2009;
- The Company participated in the Access China Conference 2009 held by Deutsche Bank in Beijing in January 2009;
- The Company held 2008 Annual Results Press Conference in Hong Kong, visited multiple funds and held one-on-one meetings in March 2009;
- Company participated in JPMorgan 5th Annual China Conference 2009 held by JPMorgan Securities in Beijing in June 2009;
- The Company participated in the 7th A-share Conference 2009 held by UBS in Beijing in June 2009;
- The Company held 2009 Interim Results Press Conference in Hong Kong, visited multiple funds and held one-on-one meetings in August 2009;
- The Company participated in the 16th Annual China Conference held by BNP PARIBAS in Changsha in October 2009;
- The Company participated in the China Investment Frontier Conference 2009 held by Goldman Sachs in Beijing in November 2009.

The Company will act in strict accordance with requirements of the Company Law, the Securities Law, Measures for the Administration of the Listed Company's Information Disclosure and Stock Listing Rules and related regulations, continually improve and perfect the corporate governance structure, constantly improve the Company's standardized operation and governance ability, protect legal interests of the Company and all shareholders and promote a sustained and sound development.

Section VII Profile of the General Meeting

During the reporting period, the Company held one General Meeting that is the 2008 Annual General Meeting related items are as follows:

The 2008 Annual General Meeting was held on 24 April 2009, the following major events were approved:

Events Approved by Ordinary Resolutions:

- The report of the Board of Directors, the report of the Supervisory Committee, the audited financial statements and the profit appropriation proposal for 2008;
- The appointments of 2009 PRC and Hong Kong auditors and the Board of Directors were authorized to fix their remunerations.
- To approve the adjustment of remuneration of internal directors and supervisors of the Company;
- To approve the resolution of authorizing the Board to choose issuance of corporate bonds or bonds with warrants and relevant items.

Events Approved by Special Resolutions:

- To approve the issuance of corporate bonds term by term;
- To approve the amendment of Articles of Association of the Company;
- The Board of Directors was authorized to allot or issue shares not more than 20% of each of the existing issued domestic shares and overseas listed foreign shares of the Company subject to certain conditions.

The resolution announcements of the 2008 Annual General Meeting were published in the Shanghai Securities Post, the China Securities Post and on the website of the Stock Exchange of Hong Kong Limited on 27 April 2009.

Section VIII Chairman's Statement



During the reporting period, in accordance with the PRC Accounting Standards, the Group recorded an operating income of RMB1,771,562 thousand for the whole year. The net profit attributable to shareholders of the parent company was RMB673,449 thousand, and earnings per share was RMB0.406. In accordance with Hong Kong Accounting Standards, the profit attributable to equity holders of the Company was RMB667,434 thousand, and basic earnings per share was RMB0.402.

Section VIII Chairman's Statement

Review

2009 was the most difficult year for China's economic development since the beginning of this century. The world's economic declined acutely, and the China's economic was affected materially, resulting in a significant decline of its economic growth. Under the stimulus of a series of the State's measures including the Revitalized Plans in Top Ten Industries with total investment of RMB4,000 billion and the Promotion of Automobile and Household Appliance in Countryside, the domestic demand which comprise investment and consumption effectively offset the rapid contraction of the external demand. Consequently, the China's economy has been well positioned to recover and rebound. In 2009, the GDP of China reached RMB33,500 billion, representing a year-to-year increase of 8.7%, and achieved the target of "maintaining an increase of GDP of 8%" set in the beginning of the year. In 2009, Anhui Province implemented various policies to stimulate domestic demand to maintain the economic growth. The overall economy of Anhui Province stabilized and recovered quickly Its GDP exceeded RMB trillion historically and amounted to RMB1,005.29 billion, representing an increase of 12.9% as compared with last year.

In Anhui Province, additional mileage of expressway reached 302 km and total mileage of expressway reached 2,810 km, ranking ninth in the country in 2009. During the year, the volume of passenger and the volume of goods increased by 8.8% and 10.1% to 1.41 billion person and 1.97 billion ton from last year respectively. The turnover volume of passengers and the turnover volume of goods reached 132.15 billion person kilometers and 627.33 billion ton respectively, representing an increase of 9.7% and 7.5% respectively, of which the transportation volume of passengers and transportation volume of goods by highways also increased by 11.2% as compared with last year.

In 2009, the widening of four-lane to eight-lane of Hening Expressway and the reconstruction of Gaojie Expressway were successfully completed ahead of schedule. The widening and reconstruction of the above expressways will create room for expanding vehicle volume for the Company's expressways. As some expressway became open to traffic in 2009, the Company will benefit from the increase of traffic flow due to the region's economic growth and improvement of road networks.

The Company seized the opportunities brought by the rapid construction of expressways and actively carried out the preliminary work of the construction of Ningxuanhang Expressway in 2009. The construction of phrase one of the project, i.e. Xuancheng-to-Ningguo Section was commenced in September. In addition to meeting the needs of the region's economic developments, this project also has a positive effect on the profitability and long-term development of the Company.

In 2009, the Company has implemented a "smiling" campaign in all expressways managed by the Company and encouraged employees to provide services politely and heartily. The service quality has been raised significantly. This has established a good corporate image of the Company, and has a positive effect on the impression of Anhui Province's transportation industry as well as Anhui Province.

In order to refine the financing structure of the Company and reduce its finance costs, the Company issued Corporate Bonds of RMB2 billion in December 2009. This issuance has facilitated the Company's overall development strategy and its sustainable development.

Section VIII Chairman's Statement

Outlook

In 2010, it is expected that China's economy will maintain its stable and rapid growth under the State's aggressive financial policy and flexible monetary policy. This stable and rapid growth will create a favourable external environment for the economic development of Anhui Province and the general demand is expected to rise. It is believed that the profitability of the Company will increase stably under the continuous economic development of the region.

The recovery of the domestic economy and acceleration of the construction of expressways has brought many favourable conditions and opportunities to the Company. Firstly, to cope with the financial crisis and stimulate economic development, the PRC government has implemented specific policies to speed up the construction of traffic construction. By the end of 2012, the total mileage of expressway would reached 3,500 km. Secondly, with the gradual improvement of the expressway network in Anhui Province and the rapid increase of the vehicle ownership in the region, the profitability of the Company will continuously increase. Thirdly, the Company's development will benefit from the development plan of succeeding industrial transfer demonstration zone in Wanjiang City Group. A comprehensive integrated transportation system and strategic geographic advantage are the favourable conditions of industrial transfer demonstration zone in Wanjiang City Group. It is expected that the Company will develop rapidly along with the region's economy.

Meanwhile, the Group faces various difficulties and challenges. The foundation of the economic recovery of China is still frail, and the economic structure is subject to adjustment. The highway transportation is affected by the development of other transportation such as railway and airline. The expansion of expressway network has resulted in the reallocation of overall traffic volume.

In 2010, the Company will continue to increase its investment on construction, enhance project management, and improve the integrated services of roads. The Company will reduce its operating costs and increase its core competitiveness by improving its toll management and enhancing road maintenance. Besides, the Company will focus on fund raising, further adjust its financing structure and strive for improving the financial situation of the Company. Furthermore, the Company will enhance its research and development efforts and innovation capability in respect of project construction.

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

Chairman

Zhou Renqiang

Hefei, Anhui, the PRC

6 April 2010

Section IX Report of the Board

I. Usual Operation of the Board of Directors

1. The Board Meetings and Resolutions

Nine Board meetings of the Company were held in 2009, details are as follows:

Sessions of the Meeting	Convening date	Newspapers for information disclosure	Disclosure date
4th meeting of the 5th Board	27 February 2009		2 March 2009
5th meeting of the 5th Board	6 March 2009		9 March 2009
6th meeting of the 5th Board	24 April 2009		27 April 2009
7th meeting of the 5th Board	10 July 2009	The Shanghai Securities Post	Free to disclose
8th meeting of the 5th Board	21 August 2009	The China Securities Post	24 August 2009
9th meeting of the 5th Board	11 September 2009		Free to disclose
10th meeting of the 5th Board	23 October 2009		Free to disclose
11th meeting of the 5th Board	4 December 2009		Free to disclose
12th meeting of the 5th Board	25 December 2009		Free to disclose

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

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

1. Execution of 2008 profit appropriations of the Company

The 2008 profit appropriation plan was approved at the 2008 Annual General Meeting held on 24 April 2009: the payment of dividends of RMB2.3 (tax included) with the payout of RMB381,480 thousand for every 10 shares on the basis of 1,658,610,000 shares in the total share capital at the end of 2007. The dividends referred to above have been implemented before 8 June 2009.

2. Issuance of Corporate Bonds

The issuance of not more than RMB2 billion corporate bonds was approved at the 2008 Annual General Meeting held on 24 April 2009 and the Board of Directors was authorized to deal with relevant works according the securities market.

According to the approval document (Zheng Jian Xu Ke No. [2009] 1074) issued by China Securities Regulatory Commission (“CSRC”), the Company successfully issued Corporate Bonds of RMB2 billion on 17-22 December 2009 through the internet and other ways. The carrying amount of such Bond is RMB100 each. Such Corporate Bonds were issued at par with a term of 5 years, the interest of which is calculated at a fixed simple interest rate of 5% per annum and is payable annually. The principal of the Bond shall be redeemed in full on maturity. According to the approval document (Shang Zheng Zhai Zi No. [2010] 9) issued by the Shanghai Stock Exchange, such Corporate Bonds have been listed in the Shanghai Stock Exchange since 21 January 2010 (Stock Name: 09 Wangtongzhai; Stock Code: 122039).

3. Implementation report of Audit Committee under the Board

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

4. Implementation report of Remuneration Committee under the Board

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

Section IX Report of the Board

III. Profit Appropriation Plan of 2009

The 2009 profit appropriation plan: The Group's net profit attributable to holders of the parent company as shown on the 2009 consolidated financial statements prepared in accordance with the PRC Accounting Standards was RMB673,449 thousand. The Group's net profit attributable to holders of the parent company as shown on the 2009 consolidated financial statements prepared in accordance with the Hong Kong Accounting Standards was RMB667,434 thousand. The Group appropriated RMB69,118 thousand of net profit to the statutory reserve fund, including the Company's appropriation to statutory reserve fund of RMB62,002 thousand and a subsidiary Xuanguang's appropriation to statutory reserve fund attributable to the Company of RMB7,116 thousand. Consequently, the profit attributable to shareholders was RMB604,331 thousand and RMB598,316 thousand in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards respectively. Pursuant to relevant regulations of the State, the profit attributable to shareholders should be the lower of that calculated in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards. Accordingly, the 2009 profit attributable to shareholders was RMB598,316 thousand. The Board of the Company recommended the payment of a final dividend of RMB331,722 thousand on the basis of RMB2.0 for every 10 shares (tax included) based on the total share capital outstanding at the end of 2009 of 1,658,610,000 shares. In 2009 no transfers of share capital from capital reserves were involved.

IV. Profit Appropriation for the Last Three Years

Unit:RMB'000

Appropriation year	Dividends (tax included)	Net profit of the appropriation year	Rate (%)
2006	414,652.50	815,427.72	50.85
2007	331,722.00	529,770.62 (Restated)	62.62
2008	381,480.00	693,212.49 (Restated)	55.03

Section X Management Discussion and Analysis

I. Analysis of region's economic and traffic environment in 2009

Marco-economic environment

2009 was the most difficult year for China's economic development since the beginning of this century. Being the same with many other economies, China suffered from the serious strike of the financial crisis and extremely complicated domestic and international situation. However, China has firstly bottomed out and started to recover. Its economy has backed to the track of steady growth and the general national economic has recovered and improved eventually. The economy of Anhui Province has also grown steadily and its GDP amounted to RMB1,005.29 billion, representing an increase of 12.9% over last year in term of comparable price.

Traffic and transportation environment

In 2009, the construction of traffic infrastructure in Anhui Province was enhanced. The total investment of RMB20.85 billion was made in highway and waterway construction in the year, which was 12.8% higher than that set out in the annual plan. The total mileage of expressway and additional mileage of expressway reached 2,810 km and 302 km respectively. In addition, The transportation volume of passengers, the turnover volume of passengers, the transportation volume of goods, and the turnover volume of goods by highways and waterways reached 1.36 billion person, RMB89.13 billion person kilometers, 1.85 billion tons and RMB533.19 billion ton kilometers respectively, representing an increase of 9.2%, 12.5%, 10.2% and 10.4% respectively as compared with last year.

As at the end of the year, the possession of civilian vehicle reached 1.674 million, representing a year-to-year increase of 24.1%, in which the possession of private vehicle, civilian car and private car reached 1.007 million, 653,000 and 494,000 respectively, representing a year-to-year increase of 37.1%, 34.7% and 44.5% respectively.

Operating environment of toll expressways

On 19 December 2008, the State Council published the Notice regarding the Implementing the Price and Tax Reform of Refined Oil, and announced that the price and tax reform of refined oil had been effective from 1 January 2009. Since then, the additional surcharges of refined oil were abrogated, including highway maintenance charge, waterway maintenance charge, management fee for highway transportation, surcharge for highway transportation of passengers and goods, management fee for waterway transportation, and surcharge for waterway transportation of passengers and goods. In addition, the toll of government loan secondary highway was eliminated gradually and the fuel consumption tax was increased. As one of the first pilot provinces in one-off elimination of the toll of government loan secondary highway, Anhui Province eliminated all toll of government loan secondary highway by the end of February in 2009. The Company is currently operating six toll highways, including five expressways and one Class I highway, and no highway involved in the elimination of toll of government loan secondary highway.

Section X Management Discussion and Analysis

According to the “Approval of the Period of Toll operation of Ninghuai Expressway Tianchang Section” issued by The People’s Government of Anhui Province (Wan Zheng Mi [2009] No. 335), it is agreed that the period of toll operation of Ninghuai Expressway Tianchang Section is 25 years and 6 months, starting from 18 December 2006 and ending in 17 June 2032. In case of any new regulations promulgated by the State during the operating period, the Company shall comply with such regulations.

During the reporting period, the toll rate of Ninghuai Expressway Anhui Section has been adjusted twice. The adjusted toll rates are listed in the Appendix of this annual report.

II. Analysis of Business Operation

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

During the reporting period, the Group achieved the operating income of RMB1,771,562 thousand (2008: RMB1,683,543 thousand), representing an increase of 5.23% over the corresponding period of the previous year; Total profit of RMB950,796 thousand (2008: RMB990,325 thousand), representing a decrease of 3.99% over the corresponding period of the previous year; Net profit attributable to shareholders of the Company of RMB673,449 thousand (2008: RMB693,212 thousand), representing a decrease of 2.85% over the corresponding period of the previous year; Basic earnings per share of RMB0.406 (2008: RMB0.418), representing a decrease of 2.87% over the corresponding period of the previous year. The decrease of net profit was mainly because that with no remarkable change in operation model and income costs structure, the Company received a fiscal return of RMB59,120 thousand from the Department of Finance of Anhui Province in 2008 and no such government subsidies in 2009.

Section X Management Discussion and Analysis

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

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

Projects	Percentage of		Percentage of	
	2009 (RMB'000)	total revenue (%)	2008 (RMB'000)	total revenue (%)
Hening Expressway	690,434	38.97	623,793	37.05
New Tianchang Section of National Trunk 205	45,176	2.55	44,151	2.62
Gaojie Expressway	458,409	25.88	463,128	27.51
Xuanguang Expressway	335,962	18.96	298,556	17.73
Lianhuo Expressway Anhui Section	180,999	10.22	207,710	12.34
Ninghuai Expressway Tianchang Section	60,582	3.42	46,205	2.75

(II) Operations of toll highways

Operation of various sections

Name of roads	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2009	2008 Change (%)		2009	2008 Change (%)	
Hening Expressway	100%	15,446	13,846	11.55	662,678	584,984	13.28
New Tianchang Section of National Trunk 205	100%	5,744	5,980	-3.94	44,850	43,908	2.15
Gaojie Expressway	100%	9,866	9,403	4.92	435,298	441,550	-1.42
Xuanguang Expressway	55.47%	12,229	10,498	16.49	335,598	298,253	12.52
Lianhuo Expressway Anhui Section	100%	6,868	7,281	-5.68	171,889	198,115	-13.24
Ninghuai Expressway Tianchang Section	100%	13,701	11,061	23.87	56,359	42,772	31.77

Section X Management Discussion and Analysis

Name of roads	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per vehicle (RMB)		
		2009	2008	2009	2008 Change (%)	
Hening Expressway	100%	62:38	59:41	117.54	115.43	1.83
New Tianchang Section of National Trunk 205	100%	42:58	44:56	21.39	20.06	6.63
Gaojie Expressway	100%	42:58	38:62	120.88	128.30	-5.78
Xuanguang Expressway	55.47%	54:46	50:50	75.19	77.62	-3.14
Lianhuo Expressway Anhui Section	100%	43:57	35:65	68.57	74.34	-7.77
Ninghuai Expressway Tianchang Section	100%	74:26	72:28	11.27	10.56	6.67

Principal business in terms of industries and products

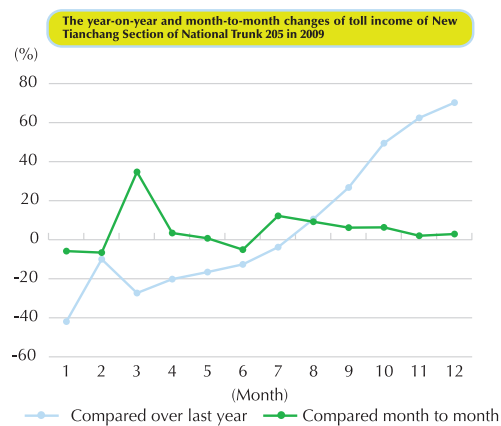
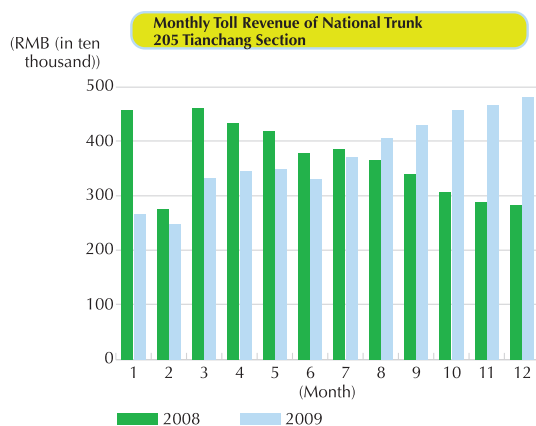
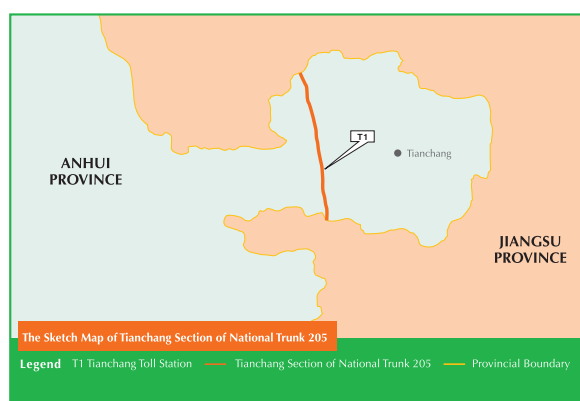
Name of roads	Operating income (RMB'000)	Operating costs (RMB'000)	Operating profit rate (%)	Change in operating income (%)	Change in operating costs (%)	Change in Operating profit rate (%)
<i>In terms of industries</i>						
Expressway operations	1,751,580	542,648	54.14	5.30	11.97	A decrease of 2.43 percent point
<i>In terms of products</i>						
Hening Expressway	682,329	189,519	58.76	10.60	16.42	A decrease of 1.73 percent point
New Tianchang Section of National Trunk 205	44,850	23,830	28.94	2.15	-2.06	An increase of 0.83 percent point
Gaojie Expressway	452,455	120,852	62.61	-0.81	12.61	A decrease of 4.13 percent point
Xuanguang Expressway	335,598	87,002	50.95	12.52	11.10	An increase of 1.54 percent point
Lianhuo Expressway Anhui Section	176,184	93,229	32.22	-13.00	5.35	A decrease of 11.34 percent point
Ninghuai Expressway Tianchang Section	60,164	28,216	40.21	31.98	20.49	An increase of 5.81 percent point
Total	1,751,580	542,648	54.14	5.30	11.97	A decrease of 2.43 percent point

Section X Management Discussion and Analysis

New Tianchang Section of National Trunk 205

During the year, toll income amounted to RMB44,850 thousand, representing an increase of 2.15% over last year; Average daily traffic volumes reached 5,744, representing a decrease of 3.94% over last year.

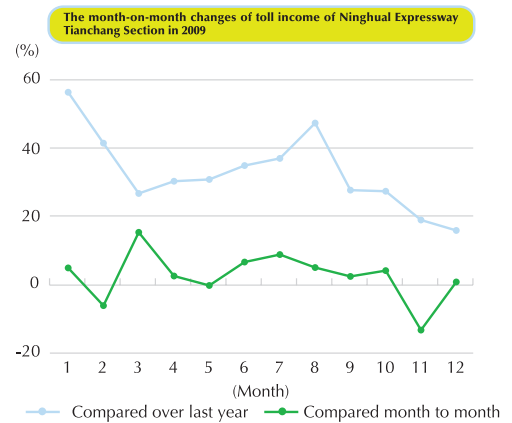
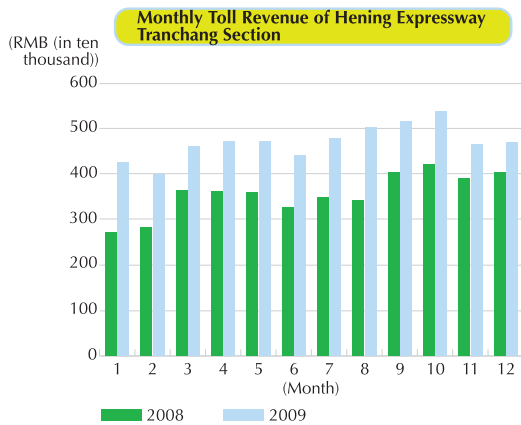
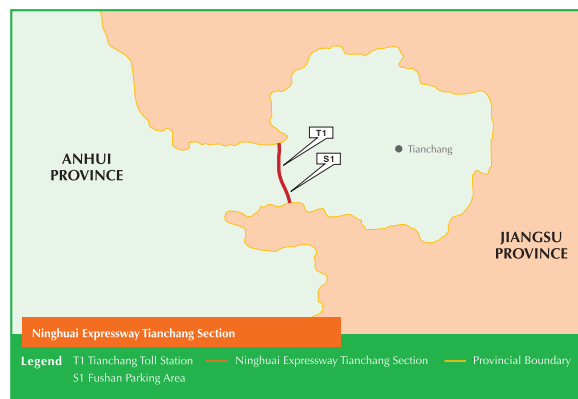
During the reporting period, Ninghuai Expressway Tianchang Section continued to diversify the traffic volumes of new Tianchang Section of National Trunk 205 and the traffic volumes decreased. With the calculation combining the above two highways, the traffic volumes were 19,445, representing an increase of 14.12% over last year and the toll income was RMB101,209 thousand, representing an increase of 16.76% over last year.



Section X Management Discussion and Analysis

Ninghuai Expressway Tianchang Section

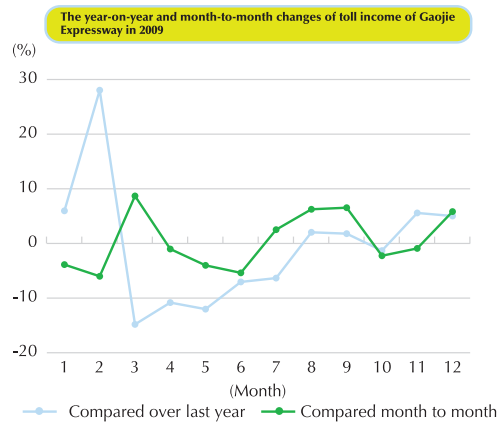
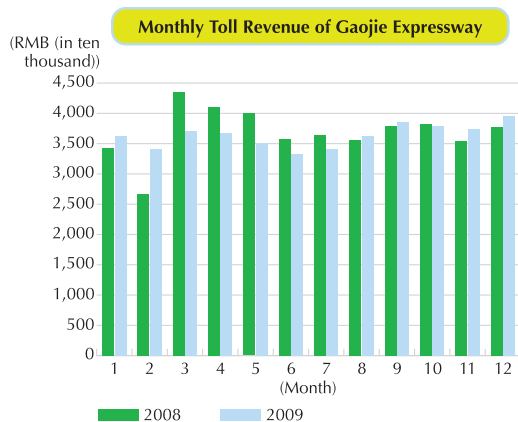
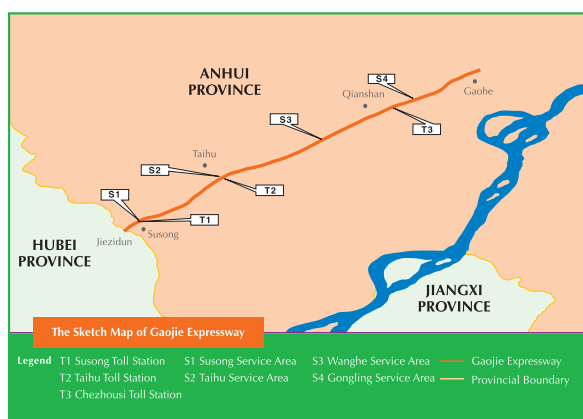
During the year, toll income amounted to RMB56,359 thousand, representing an increase of 31.77% over last year; Average daily traffic volume reached 13,701, representing an increase of 23.87% over last year, which was mainly due to the traffic volumes of New Tianchang Section of National Trunk 205 transferring to the section.



Section X Management Discussion and Analysis

Gaojie Expressway

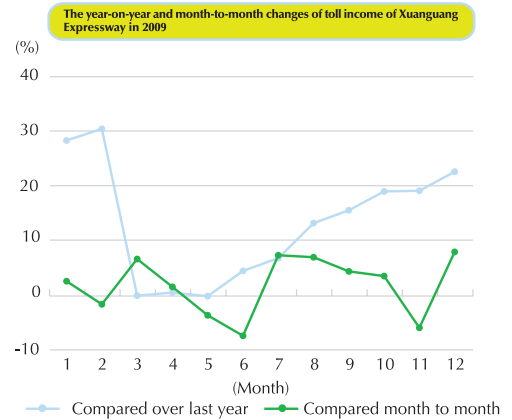
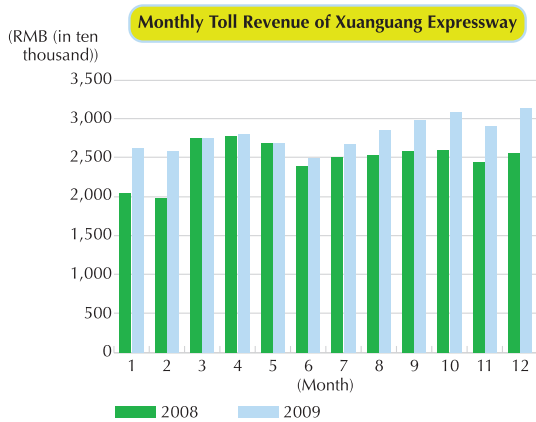
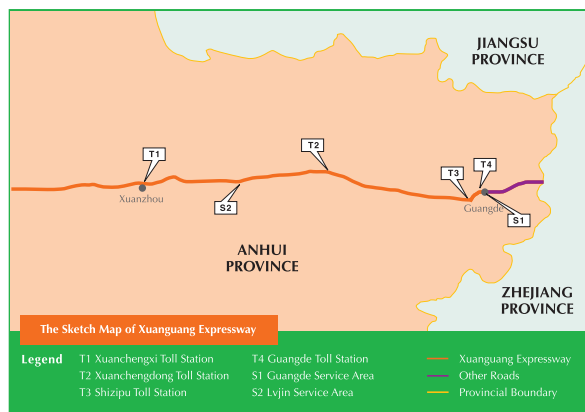
During the year, toll income amounted to RMB435,298 thousand, representing a decrease of 1.42% over last year; Average daily traffic volumes reached 9,866, representing an increase of 4.92% over last year. The decrease of toll income was mainly due to the economic influences in the first half of 2009 and its reconstruction. The change of toll income and traffic volumes differed, which was due to the fast increase of type 1 passenger vehicles and decrease of percentage of goods vehicles.



Section X Management Discussion and Analysis

Xuanguang Expressway

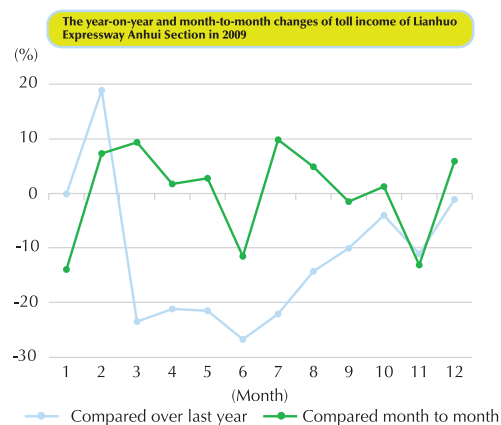
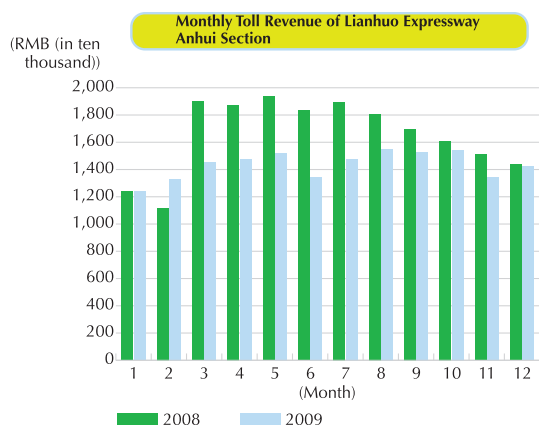
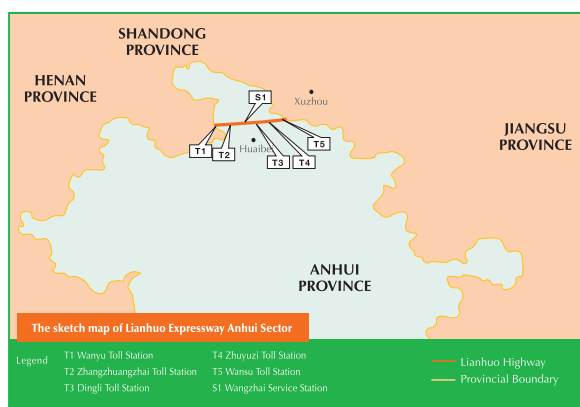
During the year, toll income amounted to RMB335,598 thousand, representing an increase of 12.52% over last year; Average daily traffic volumes reached 12,229, representing an increase of 16.49% over last year. The increase of toll income and traffic volumes was mainly resulted from the prosperity of regional economy.



Section X Management Discussion and Analysis

Lianhuo Expressway Anhui Section

During the year, toll income amounted to RMB171,889 thousand, representing a decrease of 13.24% over last year; Average daily traffic volumes reached 6,868, representing a decrease of 5.68% over last year. The decrease of toll revenue was mainly due to the economic influences, substantial reduction of goods circulation directly resulted in the substantial decrease of traffic volumes of goods vehicles.



Section X Management Discussion and Analysis

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

Unit: RMB'000

Name	Interests held by the Group	Registered capital	Assets	Net profit (Loss)	Principal business
Xuanguang Company	55.47%	111,760	1,352,994	128,280	Construction, management and operation of Xuanguang Expressway
Kangcheng Pharmaceutical	65%	10,000	3,883	-398	Research, development and transfer of Western and Chinese medicine and scientific research results of medical apparatus and instruments
NingXuanhang Company	70%	100,000	150,000	—	Construction, design, supervision, toll collection, maintenance, management and technical consultation of highways and supporting service
Expressway Media	38%	50,000	107,636	7,740	Design, making, release and agency of domestic advertisements Information Investment
Information Investment	18%	100,000	141,709	8,663	Information infrastructure investment, information technology service, information engineering consultation and supervision

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

Note 2: Ningxuanhang Company will be engaged in construction and operation of Ningxuanhang Expressway (Anhui Section). As at 31 December 2009, Ningxuanhang Company was still in the process of setting up.

(IV) Principal customers and suppliers

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

Section X Management Discussion and Analysis

III. Project Investment

(I) Investment of the Company

	Unit:RMB'000
The Company's investment amount during the reporting period	921,089
Increase/decrease of the Company's investment amount during the reporting period	-554,194
Investment amount of the corresponding period last year	1,475,283
Change of Company's investment amount during the reporting period (%)	<u>-37.57</u>

(II) Investments other than the use of proceeds

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

The Widening from four-lane to eight-lane of Hening Expressway with the section of Dashushan to inter-connected interchange of Longxi commenced in August 2006. The widening works is to be completed within 3 years with a total length of 42.64 km. The total investment of the widening works is expected to be approximately RMB1,964 million. The widening work was completed in September 2009.

During the reporting period, RMB428 million was invested in the widening works. As at the end of the reporting period, the accumulated investment was RMB1,860 million.

2. Construction of Wantong Expressway Hi-tech Industrial Park

The construction of Wantong Expressway Hi-tech Industrial Park was commenced at the beginning of 2007 with the budgetary estimate of approximately RMB146 million, the main Project was finished at the end of 2009.

During the reporting period, RMB45 million was invested in the construction of Wantong Expressway Hi-tech Industrial Park and the accumulated investment was RMB143 million.

3. Reconstruction of Gaojie Expressway

The reconstruction of Gaojie Expressway was commenced in 2007 with the budgetary estimate of RMB970 million within two years. The reconstruction was fully finished in June 2009 with estimated expenditure of RMB830 million.

During the reporting period, RMB252 million was invested in the reconstruction works. As at the end of the reporting period, the accumulated investment was RMB817 million.

Section X Management Discussion and Analysis

4. Construction of Ningxuanhang Expressway Xuancheng-Ningguo Section

Ningxuanhang Expressway Xuancheng-Ningguo Section is a part of Ningxuanhang Expressway Anhui Section with a total mileage of 44km and investment of RMB2,679 million. Construction of the section was started in September 2009.

During the reporting period, RMB123 million was invested in the construction works. As at the end of the reporting period, the accumulated investment was RMB125 million.

(III) Use of proceeds

According to the approval document (Zheng Jian Fa XinXu Ke2009] 1074) issued by China Securities Regulatory Commission (“CSRC”), the Company successfully issued Corporate Bonds of RMB2 billion between 17 and 22 December 2009 through the internet and other ways. RMB1.5 billion of the proceeds from such issuance, net of issuance expense, will be used to repay loans from commercial banks and adjust the financial structure of the Company, and the balance will be used as additional working capital.

During the reporting period, RMB1.35 billion of the proceeds from such issuance was used, all of which was used to repay loans from banks.

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

(I) Analysis of Financial Condition

Total assets

As at the end of the reporting period, the Group’s total assets were RMB9,573,686 thousand, which was increased by 11.43% from RMB8,591,447 thousand at the beginning of 2009. This was mainly because that the monetary fund of the Group increased by RMB511,733 compared with that at the end of 2009 and that the intangible assets- the concession intangible assets increased by RMB443,998 compared with that at the end of 2009. The increase of monetary fund at the end 2009 was mainly because that the proceeds of RMB2 billion from the issuance of corporate bonds at the end of 2009 has paid short-term bank loans of RMB1.35 billion and complemented current fund, the remainings of RMB 500 million has not been used up. The increase of concession intangible assets was mainly because that the original value of RMB757,000 thousand was accrued from the investment amount in the widening of Hening Expressway and reconstruction of Gaojie Expressway.

Section X Management Discussion and Analysis

Current liabilities and Short-term Debt Paying Ability

As at the end of the reporting period, the Group's current liabilities were RMB1,704,613 thousand. As of 31 December 2008, the current liabilities of the Group surpassed current assets by about RMB2,470,006 thousand; As of 31 December 2009, the current liabilities of the Group surpassed current assets by about RMB636,163 thousand; In 2009, the Group issued the corporate bonds of RMB2 billion, which was used for paying short-term bank loans and complementing current fund, so the short-term debt paying ability increased greatly.

As of 31 December 2009, the Group's current liabilities included RMB985,000 thousand of short term borrowings, RMB491,290 thousand of accounts payables, RMB58,225 thousand of tax payables, RMB109,052 thousand of other payables, (including RMB31,248 thousand of toll income collected on behalf of the inter-network settlement center, RMB46,815 thousand of deposit from engineering projects, RMB15,363 thousand of central control repair expenses and RMB15,626 thousand of others). The above payables were free of interests other than short-term bank loans. The current liabilities of the Group will be paid within 12 months from the date of balance sheet in accordance with contract. Because the Group has ample cash inflows and considering that the facilities of RMB2,310,000 thousand not yet utilized as of 31 December 2009, the management of the group expect that it will have sufficient funds to repay the amounts due to as mentioned above.

Non-current liabilities and Debt Paying Ability

As at the end of the reporting period, the Group's non-current liabilities were RMB2,338,132 thousand, including 5-year corporate bonds of RMB1,971,662 thousand and long-term minority payables of RMB275,551 thousand. The total issuance of corporate bonds was RMB2 billion with terms of 5 years. The corporate bonds were charged by simple interest annually starting from 17 December 2009 ending at 16 December 2014 with fixed annual interests of 5%, and paid interests annually, repay at maturity without redeeming. The long-term minority payables were free of interests and paid in accordance with the contract signed by the Group and minority shareholders. The non-current liabilities of the Group were as follows by paying terms (amount before discount):

	Less than one year	1 - 3 years	3 - 5 years	RMB'000 More than 5 years
The Group				
31 December 2009				
Corporate bonds and relevant interests	100,000	300,000	2,100,000	—
Long-term minority payables	—	—	65,904	397,012

According to the above paying terms, operation cash flows expectation and funds arrangements, the management believed that the Group have sufficient funds to repay the mature non-current liabilities.

Section X Management Discussion and Analysis

Shareholders' equities

As at the end of the reporting period, the Group's shareholders' equities (excluding minority interests) were RMB5,294,541 thousand, representing an increase of RMB291,583 thousand from RMB5,002,958 at the beginning of the year. The Group had no equity transaction in 2009, the increase of shareholders' equities was mainly resulted from the accumulation of the Company's operating profit.

Analysis of Operating Results

Operating income

The Group's operating income in 2009 was RMB1,771,562 thousand, which was increased by 5.23% from that in 2008. The increase of operating income was mainly due to the increase of toll income, the change of toll income of each highway was mainly due to the change of traffic volumes of each highway. As to analysis of traffic volumes, please see "business operating analysis".

Road	Percentage of each highway's toll income to the total revenue (%)							Total
	Hening Expressway	New Tianchang Section of National Trunk 205	Gaojie Expressway	Xuanguang Expressway	Lianhuo Anhui Expressway Section	Ninghuai Tianchang Expressway Section		
2009	38.97	2.55	25.88	18.96	10.22	3.42	100.00	
2008	37.05	2.62	27.51	17.73	12.34	2.75	100.00	

Operating costs

In 2009, the Group's operating costs were RMB548,135 thousand, representing an increase of 11.57% from that in 2008, which was mainly due to the increase of road operating costs, including the increase of depreciation and amortization costs of RMB46,938 thousand resulted from the increase of original value of road assets and accrued safety funds of RMB17,067 thousand by 1% of toll income in accordance with the relevant stipulation. (the accrued balance at the end of 2008 exceeds 2% of total toll income at the end of 2007, so no safety fund was accrued in the reporting period).

Project of Costs	Specific table of operating costs			Total
	Depreciation and amortization	Highways maintenance expenses	Other operating costs	
2009	389,586	68,609	89,940	548,135
2008	342,648	68,867	79,795	491,310
Change	13.70%	-0.37%	12.71%	11.57%

RMB'000

Section X Management Discussion and Analysis

Management expenses

In 2009, the Group's management expenses were RMB141,807 thousand, representing an increase of 10.34% from that in 2008. The increase of management expenses was mainly due to the increase of number of staff and the average of pay levels, which resulted in the increase of staff wages. The Group strictly carried out control of management expenses, the other material items in management expenses kept the same level compared with that over last year or decreased.

Finance costs

The finance costs of the Group were approximately RMB68,378 thousand for the year 2009, representing an increase of 11.46% compared with last year (2008: RMB61,349), which was mainly because that the widening of four-lane to eight-lane of Hening Expressway and reconstruction of Gaojie Expressway have been finished, the relevant interest capitalized expenses decreased, which resulted in the increase of interest expenses recorded into the profits and losses compared with that of the corresponding period of last year.

Investment income

The investment income of the Group was approximately RMB3,841 thousand for the year 2009, which mainly includes the share of Expressway Media's (associated company of the Company) operating results with RMB2,941 thousand and the cash dividends received from Information Investment with RMB900 thousand.

Non-operating expenses

In 2009, the Group's non-operating expenses were RMB16,654 thousand, which was mainly due to the removal of auxiliary assets of expressway resulted from Widening from four-lane to eight-lane of Hening Expressway.

Income taxation

In 2009, the enterprise income tax rate applicable to the Company and its subsidiaries, associated companies was 25%.

Income tax of the Group was approximately RMB220,363 thousand for the year 2009, which increased by 11.08% compared with last year. It is mainly because that the Company received subsidy income of RMB 59,120 thousand from government authority in 2008 and included it in total taxable income for annual tax filing. During annual tax filing in 2009 in respect of 2008's taxable income, tax authority allowed the Company to exclude this subsidy income from the taxable income. Thus, related income tax of RMB 14,780 thousand was adjusted in 2009 and credited to income statement.

Section X Management Discussion and Analysis

The Company was the former high and new tech enterprise registered in Anhui Provincial Hefei High and New Tech Development Zone. According to the New CIT Law and the Detailed Implementation Regulations Cai Shui [1994] No. 001 issued by the Ministry of Finance and the State Administration of Taxation on 29 March 1994, the income rate of the Company was subject to 15% when finished tax filling. In 2007, the tax authority dissented from the tax rate of 15% in 2006 and adjusted the tax rate of 33% in 2007 and made up taxation of RMB149,550 thousand. The management considered that there's little probability of adjusting tax rate before 2006. The above item was disclosed in the note to the attached financial statement.

Net profit

In 2009, the net profit of the Group was RMB730,433 thousand, net profit attributable to shareholders of the parent company was RMB673,449 thousand, representing a decrease of 1.63% and 2.85% respectively compared with that of the corresponding period of last year. The decrease of net profit was mainly because that with no remarkable change in operation model and income costs structure, the Company received a fiscal return of RMB59,120 thousand from the Department of Finance of Anhui Province in 2008 and no such government subsidies in 2009.

(III) Cash flow analysis

In 2009, the Group's net cash flow from operating activities was RMB1,142,737 thousand, increased by 10.56% from that in 2008, which was mainly because that the toll income increased by RMB72,225 thousand compared with that of 2008 and that deposit from engineering projects and central control repair expenses increased by RMB23,476 thousand compared with that at the end of 2008. The reason for the increase of toll income please see the above Analysis of Operating Income. The deposit from engineering projects should be paid after the completion of relevant engineering.

In 2009, the Group's net cash outflow from investing activities was RMB832,346 thousand, which was mainly used for Widening from four-lane to eight-lane of Hening Expressway, reconstruction of Gaojie Expressway, construction of Ningxuanhang Expressway and construction of Wantong Expressway Hi-tech Industrial Park.

In 2009, the Group's net cash inflow from financing activities was RMB201,343 thousand, which was mainly due to the proceeds of RMB2 billion from the issuance of corporate bonds.

In 2009, the Group's bank loans were RMB4,540,000 thousand in aggregate. As at the end of the reporting period, the balance of bank loans was RMB985,000 thousand. Interest rates for the above bank loans were between 3.750% and 7.097%. All bank loans were repayable within 12 months.

The Group was awarded with good credit ratings. In 2009, the total credit facilities granted during the year was RMB3,295 million, and the facilities not yet utilized were RMB2,310 million.

Section X Management Discussion and Analysis

(IV) Capital expenditures analysis

In 2009, the Group's capital expenditure totaled RMB921 million, which mainly comprised the Widening from four-lane to eight-lane of Hening Expressway, reconstruction of Gaojie Expressway, construction of Ningxuanhang Expressway and construction of Wantong Expressway Hi-tech Industrial Park, which was funded by internal resources, corporate bonds and current capital from bank loans.

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

The capital expenditure commitment of the Widening from four-lane to eight-lane of Hening Expressway, etc was RMB109,000 thousand contracted for but not necessarily confirmed in the financial statement.

Capital structure analysis

In terms of capital liquidity:

	31 December 2009 (%)	31 December 2008 (%)
Current liabilities	17.81	35.19
Non-current liabilities	24.42	4.02
Shareholders' equities attributable to the Company	55.30	58.23
Minority interests	2.47	2.56
	<u><u> </u></u>	<u><u> </u></u>

In terms of interest rates:

	31 December 2009 (%)	31 December 2008 (%)
Fixed interest rate liabilities	30.88	25.90
Interest-free liabilities	11.35	13.31
Shareholders' equities attributable to the Company	55.30	58.23
Minority interests	2.47	2.56
	<u><u> </u></u>	<u><u> </u></u>

In 2009, the Group issued the corporate bonds of RMB2 billion, which resulted in the both change of proportion of current liabilities and non-current liabilities.

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

Section X Management Discussion and Analysis

V. Change of Accounting Policies

Specific reserve - Safety Fund

Originally, according to “Basis for Conclusions of Accounting Standards for Enterprises 2008” issued by the Ministry of Finance of the PRC on 26 December 2008, the Group transferred the safety funds balance, which was provided but unutilised, to surplus reserve - specific reserve, and would transfer the utilised portion to unallocated profit in future years until balance of surplus reserve - specific reserve reaches zero. According to “Explanation on Corporate Accounting Standards No.3” issued by the Ministry of Finance of the PRC on 11 June 2009, safety funds that are expenses in nature shall be charged to specific reserve directly while the funds that constitute fixed assets shall be accounted for under “construction in progress” and recognised as fixed assets when the safety project is completed and ready for intended use. The cost of fixed assets shall also be charged to specific reserve and an equivalent amount shall be recognised as accumulated depreciation. No depreciation shall be provided for such fixed assets in subsequent periods and adjustments shall be applied retrospectively.

The above changes in accounting policies were according to the “Explanation on Corporate Accounting Standards No.3”, so need no approval by internal approval authority of the Group.

These changes in accounting policies resulted in the following financial impact:

The Group	31 December 2009	31 December 2008
Decrease in fixed assets	(10,290,600.05)	(3,840,734.91)
Increase in deferred tax assets	9,104,449.26	8,260,076.49
Decrease in tax payables	767,593.02	173,887.04
Decrease in surplus reserves	38,958,184.60	35,109,073.58
Increase in retained earnings	(9,177,146.10)	(8,916,962.26)
Increase in specific reserve	(30,756,670.97)	(31,143,278.31)
Decrease in minority interests	1,394,190.24	357,938.37
	2009	2008
Increase (decrease) in cost of sales	5,752,315.02	(3,100,289.19)
(Decrease) increase in income tax	(1,438,078.75)	775,072.30
(Decrease) increase in minority interests	(725,309.09)	914,328.33

The opening retained earnings at 1 January 2008 have been increased by about RMB 7,895,841.05 as a result of this change in accounting policy.

Section X Management Discussion and Analysis

The Company	31 December 2009	31 December 2008
Decrease in fixed assets	(5,867,423.53)	(2,287,582.11)
Increase in deferred tax assets	8,911,739.57	7,775,268.26
Increase in tax payables	(331,972.78)	(90,643.57)
Decrease in surplus reserves	38,958,184.60	35,109,073.58
Increase in retained earnings	(11,341,441.14)	(10,177,756.41)
Increase in specific reserve	(30,329,086.72)	(30,328,359.75)
	2009	2008
Increase (decrease) in cost of sales	3,580,568.39	(362,574.28)
(Decrease) increase in income tax	(895,142.10)	90,643.57

The opening retained earnings at 1 January 2008 have been increased by about RMB 10,295,593.05 as a result of this change in accounting policy.

VI. The innovation of technology during the reporting period

For the widening of four-lane to eight-lane of Hening Expressway and the reconstruction of Gaojie Expressway, the Company enhanced its research and development efforts and carried out researches on special topics in order to solve the technical difficulties in the process of construction. The results of the research and development efforts were applied to the construction in time which increased the quality of projects and reduced the costs. "The Evaluation on Old Cement and Concrete Pavement and the Research of Asphalt Overlay Technology" has been accredited as one of transportation projects with advanced technology in Anhui Province in 2009. "The Research of Key Technology of the Widening of Hening Expressway" has also been listed as a joint science and technology project of Ministry of Transport and Anhui provincial government, the achievements of which provides technical support to the widening of expressway.

VII. Development Environment and Plans

(1) Development environment

After analysing and judging the prevailing economic environment and development trend of industry objectively, we believe that the Group will see hopes and difficulties, as well as opportunities and challenges in 2010.

In view of macro-economic situation, the industrialization and urbanization in China are developing rapidly. With its extensive domestic market, huge investment potential, healthy economic growth, sound financial system and improving macro-economic control, the economy of China is expected to remain its stable and rapid development momentum, which will be the driving force of demand of transportation.

Section X Management Discussion and Analysis

On 21 January 2010, the State Council formally approved “The Development Plan for Succeeding Industrial Transfer Demonstration Zone in Wanjiang City Group”. The implementation of this plan brings unprecedented opportunities to open up and develop regions near Wanjiang and Anhui. This plan requests to further speed up the establishment of a modern integrated transport system which closely connects with Yangtze Delta region so as to provide adequate and reliable supports and protection to succeeding industrial transfer, and hence, valuable opportunities to the Company.

(2) Work Plans for 2010

It is reasonably expected that there would not be material changes in significant aspects of operating environment. On this basis, the expected total toll revenue of the Group will be RMB1.809 billion in 2010 (2009; actual toll revenue of RMB1.708 billion). The increase is mainly attributable to the organic growth of traffic volume resulting from the economic growth and the increase of traffic capacity after the reconstruction of core sections of highways. The expenses plan in 2010: the administration expenses will be approximately RMB170 million; depreciation and amortization expenses of the Group will be RMB509 million; finance expenses will increase compared with that of 2009, which is mainly because that the loan interests of widening from four-lane to eight-lane of Hening Expressway and reconstruction of Gaojie Expressway will not be capitalized.

Main work plan for the year:

Focusing on its toll management, enhancing operational and maintenance management and improving the integrated services quality of toll road

The Group will enhance the research and analysis of the toll measures and the consciousness of toll operations. The functions of electronic toll systems will be fully utilized so as to increase the efficiency of tollgates.

The Group will be well prepared for the national inspection of highway maintenance management in 2010 in order to strive for the leading position of in the industry. The Group will also enhance the maintenance of roads and focus on the maintenance of roadways and bridges. In addition, the Group will closely manage the implementation of maintenance plans and formulate repair and maintenance solutions scientifically, in order to maintain an excellent condition of its roads.

The Group will endeavor to implement the “smiling” campaign and to encourage polite and hearty services in all of its operations.

Seizing opportunities and increasing investment on construction

The Group will promote the construction of the Xuancheng-to-Ningguo Section of Ningxuanhang Expressway and reconstruction of National Trunk 205 New Tianchang Section effectively and gradually. The Group will enhance project management and supervision, in order to guarantee the quality of the construction.

Section X Management Discussion and Analysis

Reinforcing research and development efforts and enhancing innovation capability

The Group will increase its investments in research and development, apply the research results to the construction projects, launch research and development on special topics, and speed up the commercialization of the achievements of research and development efforts. The Group will also speed up the application of new technology, new material and new techniques, in order to reduce the energy consumption and increase the technological elements of highways.

Enhancing integrated management to meet the development needs of the Group

The Company will refine its internal control system, enhance the execution of internal control and systemic management according to The Basic Standard for Enterprise Internal Control issued jointly by five government authorities and regulatory bodies, as well as various internal control guidelines. In addition, the Group will further enhance the recruitment and training of talents, and reinforce the construction of enterprise culture in order to build a harmony working environment for the Group's future development.

(3) Outlook

The rapid growth of China's and Anhui Province's economies, the industry transfer in Wanjiang City Group, the rapid increase of vehicle ownership and the synergy effects of highway networks bring the Group opportunities for its rapid development. The Group will continue to focus on its toll road operations, adopt a development strategy emphasizing on intensive development and extensive expansion, expand the operating scale of the Company and enhance the overall economic benefits of the Company. The Group will further increase its market share in the toll road market of Anhui Province and build the Company into a large toll road company featuring significant core business, healthy operation, sound governance structure and high management level.

Director and General Manager

Li Yungui

Hefei, Anhui, the PRC

6 April 2010

Section XI Report of the Supervisory Committee

I. Meetings of the Supervisory Committee during the Reporting Period

In 2009, all members of the Supervisory Committee have strictly complied with the requirements of the “Corporate Law”, “Listing Rules”, “the Articles of Association” of the Company and “the Standing Orders of the Supervisory Committee”. Under the general principle of the faith, they performed their duties prudently and actively with an aim to protect the statutory interests of the shareholders and the Company.

In 2009, the Supervisory Committee held four meetings, the notice, convening and resolutions of which were in accordance with the statutory procedures and the Articles of Association.

The major events the Supervisory Committee considered and examined including:

Supervisory Committee meetings	Contents of Supervisory Committee
Third meeting of the 5th Supervisory Committee	— To consider and examine the 2008 working report of the Supervisory Committee; — To consider and examine the 2008 annual report (including results announcement, summary of annual report and audited financial statement) — To consider and examine the 2008 annual profit appropriation proposal
4th meeting of the 5th Supervisory Committee	— To consider and examine the 2009 first quarterly report
5th meeting of the 5th Supervisory Committee	— To consider and examine the 2009 interim report
6th meeting of the 5th Supervisory Committee	— To consider and examine the 2009 third quarterly report

In 2009, the Supervisors attended all the Board meetings, examined the subscription of written resolution of the Board and effectively supervised the management behaviors of Directors, the Management and the Senior Management and the decision-making situations of the Company.

II. Independent Opinion of the Supervisory Committee

1. Compliance with law in operations

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

Section XI Report of the Supervisory Committee

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

2. Financial situation of the Company

The Supervisory Committee carefully examined the 2009 financial report, profit appropriation plan and other accounting documents, considered that the financial income and expenses account of the Company was clear, the accounting calculation and financial management conformed with relevant rules and did not find questions. The Group's domestic and overseas auditors have audited the Company's 2009 financial reports based on the PRC GAAP and HKFRS respectively, and have issued standard and unqualified opinions on the consolidated financial statements. Having made reviews, the Supervisory Committee considered that the audit reports were objective, true, and fairly reflected the financial situation, operation results and cash-flow of the Company.

3. Use of proceeds

In December 2009, the Company issued the corporate bonds of RMB2 billion and the proceeds were used to perfect the Company's financial status. During the reporting period, RMB1.35 billion of proceeds has been used. The Supervisory Committee examined that the use of proceeds was in accordance with the undertakings in the Prospectus with no change.

4. Assets acquired or sold by the Company

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

5. Connected transactions of the Company

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

By Order of the Supervisory Committee

Wang Weisheng

Chairman

Hefei, Anhui, the PRC

6 April 2010

Section XII Major Events

I. Material litigation and Arbitration.

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

II. Bankruptcy Reorganization

There was not involved in any bankruptcy reorganization during the reporting period.

III. Transaction in Assets

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

IV. Implementation of Share Incentive Scheme

The Company has not complemented the share incentive scheme

V. Significant Connected Transactions

1. Connected transactions in relation to daily operations

Unit: RMB'000

Connected parties	Contents of connected transactions	Pricing policies of connected transactions	Amounts of connected transactions	Percentage to the similar transactions	Payment method
AEHC	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	3,749	5.78%	Transfer
Anlian Company	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	1,250	1.93%	Transfer
Yanjiang Company	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	1,250	1.93%	Transfer
Hehuaifu Company	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	1,250	1.93%	Transfer

Section XII Major Events

Connected parties	Contents of connected transactions	Pricing policies of connected transactions	Amounts of connected transactions	Percentage to the similar transactions	Payment method
Real Estate Group	To provide office building lease	Made by negotiations through fair principles with reference to its costs	288	0.44%	Transfer
Yida Company	To provide office building lease	Made by negotiations through fair principles with reference to its costs	355	0.55%	Transfer
Xiandai Transportation	To provide office building lease	Made by negotiations through fair principles with reference to its costs	109	0.17%	Transfer
Yida Company	To appoint Yida Company to manage the service areas of the Company	Made by negotiations through fair principles with reference to its costs	3,500	9.45%	Transfer
Expressway Real Estate	Entrusted construction and management expenses for construction of Wantong High-tech Industrial Park	Made by negotiations through fair principles with reference to its costs	1,494	3.29%	Transfer
Xiandai Transportation	Construction and management expenses for reconstruction of Gaojie Expressway	Made by negotiations through fair principles with reference to its costs	970	0.32%	Transfer
Inspection and Scientific Research Center	Materials test expenses of widening of Hening Expressway	Made by negotiations through fair principles with reference to its costs	3,899	0.91%	Transfer
Remuneration of key administrators	To pay for key administrators		1,993	2.46%	Transfer

Section XII Major Events

2. Related debtor and creditor account

Unit: RMB'000

Related parties	The Company provides capital to related parties		Related parties provide capital to the Company	
	Amount incurred	Balance	Amount incurred	Balance
Xuancheng Highway Management	0	0	0	264,961
Xuancheng Transportation and Construction	0	0	0	10,590
Expressway Investment	0	0	0	358
Yida Company			355	3,181
Key administrators	1,993	403	—	—

3. Confirmation by the Independent Directors Regarding Connected Transactions

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

- (1) The transactions were carried out in the normal and usual course of business of the Company;
- (2) The transactions were carried out on normal commercial terms (as compared with transactions of similar nature carried out by the similar entities in the PRC) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- (3) The transactions were carried out in accordance with the terms of agreement governing such transactions.

Section XII Major Events

VI. Material contracts and Their Implementation

1. Material custody, subcontracting and leasing items

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

2. Material guarantee

During the reporting period, the Group did not provide guarantee for controlling shareholder and its connected persons , holding companies and other companies.

3. Financial entrustment

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

4. Other Material Contracts

During the reporting period, the Company and its subsidiaries did not entered into any material contracts or provide any loans with the Company's controlling shareholder or its subsidiaries and connected persons .

VII. Implementation of Undertakings

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

Section XII Major Events

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

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

Section XII Major Events

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

Section XII Major Events

VIII. Appointment and Dismissal

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants were approved to be appointed as the PRC auditors and Hong Kong auditors for 2009 respectively at the 2008 Annual General Meeting. Details are given in “Control System” of “Corporate Governance Structure and Governance Report”

IX. Punishment by Regulatory Authorities

During the reporting period, the Company, Directors, Supervisors, Senior Management, Shareholders and the Real Controller of the Company have not been involved in any punishment by regulatory authorities

X. Issue of Corporate Bonds

On 6 March 2009, the “Proposal of Issuance of Corporate Bonds” was examined and approved at the 5th meeting of 5th Board of Directors and approved at the 2008 Annual General Meeting held on 24 April 2009. The issuance of not more than RMB2 billion corporate bonds was approved by “Reply on Approving Public Issuance of Not More Than RMB2 Billion of Anhui Expressway Company Limited” (Zheng Jian Xu Ke No.[2009] 1074) issued by China Securities Regulatory Commission (“CSRC”) on 14 October 2009. The “Proposal of Related Items to Issuance Provisions of Corporate Bonds” was examined and approved at the 11th meeting of 5th Board of Directors held on 4 December 2009. The Company successfully issued Corporate Bonds of RMB2 billion on 17 December 2009 through the internet and other ways. The carrying amount of such Bond is RMB100 each. Such Corporate Bonds were issued at par with a term of 5 years, the interest of which is calculated at a fixed simple interest rate of 5% per annum. The issuance of Corporate Bonds was completed on 22 December 2009. The Corporate Bonds have been listed in the Shanghai Stock Exchange since 21 January 2010 (Stock Name: 09 Wangtongzhai; Stock Code: 122039).

The proceeds from the Corporate Bonds were used to pay bank loans and replenish current funds, which can optimize the Company’s financing structure and reduce financing costs. Besides, the issuance of Corporate Bonds will increase the proportion of long-term liabilities, perfect the Company’s debt structure, improve the assets and liabilities management ability, lock financial costs, reduce financial risk, as well as actively utilize capital market and widen financing channels to provide strong support for future business development.

XI. Pre-emptive Rights

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

Section XIII Documents Available for Inspection

Including the following documents:

- I. The original copy of the Annual Report signed by the Chairman;
- II. The accountant's report, signed by the legal representative, accountant director in charge of accounting, and accounting director and stamped with corporate seal;
- III. The original copy of auditor's report, sealed by PricewaterhouseCoopers Zhongtian CPAs, signed by the public accountant; the financial statement prepared in accordance with the Chinese Accounting Standards and the original copy of auditor's report signed by PricewaterhouseCoopers CPAs and the financial statement prepared in accordance with the Hong Kong Accounting Standards;
- IV. The original copies of corporate documents and announcements published in the Shanghai Securities Post and China Securities Post;
- V. The Articles of Association.

Place of inspection:

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



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Independent Auditor's Report

To the shareholders of ANHUI EXPRESSWAY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 97 to 173, which comprise the consolidated and company balance sheets as at 31 December 2009, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

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

Auditor's responsibility

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

Independent Auditor's Report

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 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.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 6 April 2010

Consolidated balance sheet

As at 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

ASSETS	Note	As at 31 December	
		2009	2008
Non-current assets			
Concession intangible assets	6	7,804,775	7,369,554
Land use rights	7	11,835	12,482
Property, plant and equipment	8	748,628	729,353
Investment properties	9	33,724	29,781
Intangible assets	10	2,549	2,847
Investments in an associate	13	26,869	23,928
Available-for-sale financial assets	14	18,000	18,000
		8,646,380	8,185,945
Current assets			
Inventories	16	2,395	1,857
Trade and other receivables	15	23,087	20,371
Cash and cash equivalents	17	1,042,968	531,235
		1,068,450	553,463
Total assets		9,714,830	8,739,408
EQUITY			
Equity attributable to owners of the Company			
Ordinary share capital	18	1,658,610	1,658,610
Share premium	18	1,415,593	1,415,593
Other reserves	19	147,372	74,064
Retained earnings			
– Proposed final dividend	35	331,722	381,480
– Others		1,864,085	1,601,681
		5,417,382	5,131,428
Minority interest		237,302	220,221
Total equity		5,654,684	5,351,649

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Consolidated balance sheet (Continued)

As at 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

LIABILITIES	Note	As at 31 December	
		2009	2008
Non-current liabilities			
Long-term payables	24	275,551	249,568
Borrowings	22	1,971,662	—
Deferred income tax liabilities	25	63,553	68,547
Deferred income	20	44,000	46,000
		<u>2,354,766</u>	<u>364,115</u>
Current liabilities			
Trade and other payables	21	646,669	664,229
Current income tax liabilities	32	45,542	118,449
Provision	23	28,169	15,966
Borrowings	22	985,000	2,225,000
		<u>1,705,380</u>	<u>3,023,644</u>
Total liabilities		<u>4,060,146</u>	<u>3,387,759</u>
Total equity and liabilities		<u>9,714,830</u>	<u>8,739,408</u>
Net current liabilities		<u>(636,930)</u>	<u>(2,470,181)</u>
Total assets less current liabilities		<u>8,009,450</u>	<u>5,715,764</u>

The financial statements on pages 97 to 98 were approved by the Board of Directors on 6 April 2010 and were signed on its behalf.

Zhou Renqiang
Director

Li Yungui
Director

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Balance sheet

As at 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

ASSETS	Note	As at 31 December	
		2009	2008
Non-current assets			
Concession intangible assets	6	6,984,662	6,575,569
Land use rights	7	11,835	12,482
Property, plant and equipment	8	754,720	786,590
Investment property	9	33,724	29,781
Investments in subsidiaries	11	138,495	138,495
Loans to subsidiaries	12	219,179	183,171
Investments in associates	13	18,999	18,999
Deferred income tax assets	25	8,642	5,283
Available-for-sale financial assets	14	18,000	18,000
		8,188,256	7,768,370
Current assets			
Inventories	16	2,395	1,857
Trade and other receivables	15	22,028	19,642
Cash and cash equivalents	17	950,169	385,057
		974,592	406,556
Total assets		9,162,848	8,174,926
EQUITY			
Equity attributable to owners of the Company			
Ordinary share capital	18	1,658,610	1,658,610
Share premium	18	1,415,593	1,415,593
Other reserves	19	781,357	708,049
Retained earnings			
– Proposed final dividend	35	331,722	381,480
– Others		1,559,694	1,353,955
Total equity		5,746,976	5,517,687

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Balance sheet (Continued)

As at 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

LIABILITIES	Note	As at 31 December	
		2009	2008
Non-current liabilities			
Borrowings	22	1,971,662	—
Deferred income	20	44,000	46,000
		<u>2,015,662</u>	<u>46,000</u>
Current liabilities			
Trade and other payables	21	584,148	581,037
Current income tax liabilities	32	38,159	104,502
Provision	23	27,903	15,700
Borrowings	22	750,000	1,910,000
		<u>1,400,210</u>	<u>2,611,239</u>
Total liabilities		<u>3,415,872</u>	<u>2,657,239</u>
Total equity and liabilities		<u>9,162,848</u>	<u>8,174,926</u>
Net current liabilities		<u>(425,618)</u>	<u>(2,204,683)</u>
Total assets less current liabilities		<u>7,762,638</u>	<u>5,563,687</u>

The financial statements on pages 99 to 100 were approved by the Board of Directors on 6 April 2010 and were signed on its behalf.

Zhou Renqiang
Director

Li Yungui
Director

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Consolidated income statement

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2009	2008
Revenues	27	2,528,640	2,963,462
Cost of sales	29	(1,367,370)	(1,844,232)
Gross profit		1,161,270	1,119,230
Other (losses)/gains - net	28	(3,902)	42,415
Administrative expenses	29	(142,083)	(129,371)
Operating profit		1,015,285	1,032,274
Finance costs	31	(71,710)	(65,584)
Share of profit of an associate	13	2,941	2,952
Profit before income tax		946,516	969,642
Income tax expense	32	(221,866)	(250,986)
Profit for the year		724,650	718,656
Attributable to:			
Equity holders of the Company		667,434	670,700
Minority interest		57,216	47,956
		724,650	718,656
Basic and diluted earnings per share (expressed in RMB per share)	34	0.4024	0.4044
Dividends	35	331,722	381,480

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Consolidated statement of Comprehensive income

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	Year ended 31 December	
	2009	2008
Profit for the year	724,650	718,656
Other comprehensive income	—	—
Other comprehensive income for the year, net of tax	—	—
Total comprehensive income for the year	724,650	718,656
Total comprehensive income attributable to:		
Equity holders of the Company	667,434	670,700
Minority interest	57,216	47,956
	724,650	718,656

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Attributable to equity holders of the Company				Minority Interest	Total
		Ordinary share capital (Note 18)	Share premium (Note 18)	Other reserves (Note 19)	Retained earnings		
Balance at 1 January 2008		1,658,610	1,415,593	3,385	1,714,862	220,882	5,013,332
Comprehensive income							
Profit for the year		—	—	—	670,700	47,956	718,656
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	—	670,700	47,956	718,656
Profit appropriation	36	—	—	71,042	(71,042)	—	—
Others		—	—	(363)	363	—	—
Transactions with owners							
2007 final dividends		—	—	—	(331,722)	—	(331,722)
2007 dividends to minority shareholder by a subsidiary		—	—	—	—	(78,617)	(78,617)
Minority shareholder's contribution to a subsidiary		—	—	—	—	30,000	30,000
Balance at 31 December 2008		1,658,610	1,415,593	74,064	1,983,161	220,221	5,351,649
Comprehensive income							
Profit for the year		—	—	—	667,434	57,216	724,650
Other comprehensive income		—	—	—	—	—	—
Total comprehensive income		—	—	—	667,434	57,216	724,650
Profit appropriation	36	—	—	69,727	(69,727)	—	—
Others		—	—	3,581	(3,581)	—	—
Transactions with owners							
2008 final dividends	35	—	—	—	(381,480)	—	(381,480)
2008 dividends to minority shareholder by a subsidiary		—	—	—	—	(43,674)	(43,674)
Difference between the carrying amount and undiscounted amount of interest free loan received from a minority shareholder, net of tax	24	—	—	—	—	3,539	3,539
Balance at 31 December 2009		1,658,610	1,415,593	147,372	2,195,807	237,302	5,654,684

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

	Note	Year ended 31 December	
		2009	2008
Cash flows from operating activities			
Cash generated from operations	37	719,988	222,434
Interest paid		(120,166)	(119,376)
Income tax paid		(299,767)	(338,354)
Net cash generated from/(used in) operating activities		300,055	(235,296)
Cash flows from investing activities			
Purchase of property, plant and equipment		(114,304)	(84,619)
Purchase of intangible assets		(274)	—
Cash paid to acquire the equity interests in associated company	13	—	(17,556)
Proceeds from sales of property, plant and equipment		227	284
Interest received		3,607	5,090
Dividend received from an unlisted company		900	900
Net cash used in investing activities		(109,844)	(95,901)
Cash flows from financing activities			
Proceeds from bank borrowings		4,540,000	3,085,000
Net proceeds from issuance of corporate bonds		1,971,662	—
Repayments of bank borrowings		(5,780,000)	(2,250,000)
Cash generating from minority shareholder's contribution to a subsidiary		15,000	30,000
Dividends paid to minority interests		(43,674)	(78,617)
Dividends paid to the Company's shareholders		(381,480)	(331,722)
Net cash generated from financing activities		321,508	454,661
Net increase in cash and cash equivalents			
Cash and cash equivalents at beginning of the year		531,235	407,178
Exchange gains on cash and cash equivalents		14	593
Cash and cash equivalents at end of the year		1,042,968	531,235

The notes on pages 105 to 173 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

1 General information

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

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

As at 31 December 2009, the Group’s toll roads and concession period granted are shown as follows:

Toll road	Length kilometres	Concession periods granted
Hening Expressway	134	From 16 August 1996 to 15 August 2026
National Trunk 205 Tianchang Section	30	From 1 January 1997 to 31 December 2026
Xuanguang Expressway	67	From 1 January 1999 to 31 December 2028
Gaojie Expressway	110	From 1 October 1999 to 30 September 2029
Lianhuo Expressway Anhui Section	54	From 1 January 2003 to 30 June 2032
Xuanguang Expressway Nanhuan Section	17	From 1 September 2003 to 31 December 2028
Ninghuai Expressway Tianchang Section	14	From 18 December 2006 to 17 June 2032
Ningxuanhang Expressway Anhui Section	122	Under construction as at 31 December 2009

These financial statements are presented in thousand of Renminbi (“RMB’000”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 6 April 2010.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies

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

2.1 Basis of preparation

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

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

Change in accounting policy and disclosures

(a) *New and amended standards adopted by the Group*

The Group has adopted the following new and amended HKFRSs as at 1 January 2009:

- HKFRS 7 ‘Financial Instruments - Disclosures’ (amendment) - effective 1 January 2009. The amendment requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on earnings per share;
- Hong Kong Accounting Standards (‘HKAS’) 1 (revised). ‘Presentation of financial statements’ - effective 1 January 2009. The revised standard prohibits the presentation of items of income and expenses (that is, ‘non-owner changes in equity’) in the statement of changes in equity, requiring ‘non-owner changes in equity’ to be presented separately from owner changes in equity in a statement of comprehensive income. As a result the Group presents in the consolidated statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated statement of comprehensive income. Comparative information has been re-presented so that it also is in conformity with the revised standard. Since the change in accounting policy only impacts presentation aspects, there is no impact on earnings per share;

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) *New and amended standards adopted by the Group (continued)*

- In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 January 2009, the Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. This change in accounting policy was due to the adoption of HKAS 23 Borrowing costs (2007) in accordance with the transition provisions of the standard. As previously the Group has capitalised borrowing cost directly attributable to the acquisition, construction or production of a qualifying assets, this change in accounting policy had no impact on earnings per share;
- HKFRS 8, 'Operating segments' (effective 1 January 2009). HKFRS 8 replaces HKAS 14, 'Segment reporting', and aligns segment reporting with the requirements of the US standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. Accordingly, the segments are reported in a manner that is more consistent with the internal reporting provided to the chief operating decision-maker. The major internal report reviewed by the chief operating decision-maker of the Company is the traffic volume statistics report, which is the non-financial information. Hence, the Company did not prepare segment information for the reporting periods.
- As a result of the 2008 Improvements to HKFRSs, HKAS 40, 'Investment property', has been amended to include within its scope property that is being constructed or developed for future use as investment property. Prior to the amendment such property under construction or development was within the scope of HKAS 16 'Property, plant and equipment until the construction or development was complete. Property that is being constructed or developed as investment property is carried at fair value. Where fair value is not reliably determinable, such investment property under construction is measured at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). The amendment to HKAS 40 has been applied prospectively for accounting periods beginning 1 January 2009 in accordance with the effective date and transitional provisions of the amendment. As the Group did not have investment property under construction or development in reporting periods, there is no impact on earnings per share.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

The following new standards, amendments and interpretations also became effective from 2009 but the adoption of these new standards, amendments and interpretations either not relevant to the Group or did not result in substantial changes to the Group's accounting policies:

- HKFRS 1 (Amendment) 'First time adoption of HKFRS', and HKAS 27 'Consolidated and separate financial statements';
- HKFRS 2 (Amendment), 'Share-based payment';
- HKAS 16 (Amendment), 'Property, plant and equipment' and consequential amendment to HKAS 7, 'Statement of cash flows';
- HKAS 19 (Amendment), 'Employee benefits';
- HKAS 20 (Amendment), 'Accounting for government grants and disclosure of government assistance';
- HKAS 27 (Revised), 'Consolidated and separate financial statements';
- HKAS 28 (Amendment), "Investments in associates";
- HKAS 29 (Amendment), 'Financial reporting in hyperinflationary economies';
- HKAS 31 (Amendment), 'Interests in joint ventures' and consequential amendments to HKAS 32, 'Financial Instruments: Presentation' and HKFRS 7, 'Financial instruments: Disclosures';
- HKAS 32 (Amendment), 'Financial instruments: Presentation', and HKAS 1 (Amendment), 'Presentation of financial statements';
- HKAS 36 (Amendment), 'Impairment of assets';
- HKAS 38 (Amendment), 'Intangible assets';
- HKAS 39 (Amendment), 'Financial instruments: Recognition and measurement';
- HKAS 41 (Amendment), 'Agriculture';

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

(a) New and amended standards adopted by the Group (continued)

- Hong Kong (International Financial Reporting Interpretations Committee) ('HK(IFRIC)')-Int 15, 'Agreements for construction of real estates';
- HK(IFRIC)-Int 16, 'Hedges of a net investment in a foreign operation'; and
- HK(IFRIC)-Int 18, 'Transfer of assets from customers' (effective for transfer of assets from customers received on or after 1 July 2009).

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

The following standards and amendments to existing standards have been published and are mandatory for a company's accounting periods beginning on or after 1 January 2010 or later periods, but the Group has not early adopted them.

- HK(IFRIC) 17 'Distribution of non-cash assets to owners' (effective on or after 1 July 2009). The interpretation is part of the HKICPA's annual improvements project published in April/May 2009. This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. HKFRS 5 has also been amended to require that assets are classified as held for distribution only when they are available for distribution in their present condition and the distribution is highly probable. The Group and Company will apply HK(IFRIC) 17 from 1 January 2010. It is not expected to have a significant impact on the Group's or Company's financial statements;
- HKAS 27 (revised), 'Consolidated and separate financial statements', (effective from 1 July 2009). The revised standard requires the effects of all transactions with minority interest to be recorded in equity if there is no change in control and these transactions will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is re-measured to fair value, and a gain or loss is recognised in profit or loss. The Group will apply HKAS 27 (revised) prospectively to transactions with minority interest from 1 January 2010;
- HKFRS 3 (revised), 'Business combinations' (effective from 1 July 2009). The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with contingent payments classified as debt subsequently re-measured through the income statement. There is a choice on an acquisition-by-acquisition basis to measure the non-controlling interest in the acquiree either at fair value or at the non-controlling interest's proportionate share of the acquiree's net assets. All acquisition-related costs should be expensed. The Group will apply HKFRS 3 (revised) prospectively to all business combinations from 1 January 2010;

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.1 Basis of preparation (continued)

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

- HKAS 38 (amendment), 'Intangible Assets' (effective from 1 July 2009). The amendment is part of the HKICPA's annual improvements project published in May 2009 and the Group and Company will apply HKAS 38 (amendment) from the date HKFRS 3 (revised) is adopted. The amendment clarifies guidance in measuring the fair value of an intangible asset acquired in a business combination and it permits the grouping of intangible assets as a single asset if each asset has similar useful economic lives. The amendment will not result in a significant impact on the Group's or the Company's financial statements;
- HKFRS 5 (amendment), 'Measurement of non-current assets (or disposal groups) classified as held for sale'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that HKFRS 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held for sale or discontinued operations. It also clarifies that the general requirement of HKAS 1 still apply, particularly paragraph 15 (to achieve a fair presentation) and paragraph 125 (sources of estimation uncertainty) of HKAS 1. The Group and Company will apply HKFRS 5 (amendment) from 1 January 2010. It is not expected to have a significant impact on the Group's or the Company's financial statements;
- HKAS 1 (amendment), 'Presentation of financial statements'. The amendment is part of the HKICPA's annual improvements project published in May 2009. The amendment provides clarification that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. By amending the definition of current liability, the amendment permits a liability to be classified as non-current (provided that the entity has an unconditional right to defer settlement by transfer of cash or other assets for at least 12 months after the accounting period) notwithstanding the fact that the entity could be required by the counterparty to settle in shares at any time. The Group and Company will apply HKAS 1 (amendment) from 1 January 2010. It is not expected to have a significant impact on the Group's or the Company's financial statements; and
- HKFRS 2 (amendments), 'group cash-settled share-based payment transactions' (effective from 1 January 2010). In addition to incorporating HK(IFRIC)-Int 8, 'Scope of HKFRS 2', and HK(IFRIC)-Int 11, 'HKFRS 2 - group and treasury share transactions', the amendments expand on the guidance in HK(IFRIC)-Int 11 to address the classification of group arrangements that were not covered by the interpretation. The new guidance is not expected to have a significant impact on the Group's financial statements.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Consolidation

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

(a) *Subsidiaries*

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

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

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

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

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

(b) *Transactions with minority interests*

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.2 Consolidation (continued)

(c) Associates

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

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

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

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

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

2.3 Segment reporting

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.4 Foreign currency translation

(a) *Functional and presentation currency*

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

(b) *Transactions and balances*

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.5 Service concession arrangements

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

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

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

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

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.6 Property, plant and equipment

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

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

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

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

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

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

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.7 Investment property

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

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

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

Investment property	30 years
---------------------	----------

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

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

2.8 Intangible assets - acquired computer software

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

2.9 Land use rights

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

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

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

2.11 Financial assets

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

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

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

(b) *Loans and receivables*

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

(c) *Held-to-maturity investments*

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

(d) Available-for-sale financial assets

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

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

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

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

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

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

Notes to the consolidated financial statements

*For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.11 Financial assets (continued)

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

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

2.12 Inventories

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

2.13 Trade and other receivables

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

Notes to the consolidated financial statements

*For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.14 Cash and cash equivalents

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

2.15 Share capital

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

2.16 Trade payables

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

2.17 Borrowings

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

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

Notes to the consolidated financial statements

*For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.18 Current and deferred income tax

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

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

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

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

2.19 Government grants

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

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

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

Notes to the consolidated financial statements

*For the year ended 31 December 2009
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2 Summary of significant accounting policies (continued)

2.20 Employee benefits

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

Additional compensations for employee retirement are recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms. Details of the Group's retirement benefits are set out in Note 26.

2.21 Provisions

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

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

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

2.22 Contingent liability

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

2 Summary of significant accounting policies (continued)

2.23 Revenue recognition

(a) ***Toll income from toll roads operation***

Toll income from toll roads operation, net of related business tax, is recognised on a receipt basis.

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

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

(c) ***Interest income***

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

(d) ***Dividend income***

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

(e) ***Service income***

Service income is recognised when the service has been rendered.

(f) ***Rental income***

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

2.24 Leases (as the lessee for operating leases)

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

Notes to the consolidated financial statements

*For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)*

2 Summary of significant accounting policies (continued)

2.25 Dividend distribution

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

2.26 Enterprise Safety Fund

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

3 Financial risk management

3.1 Financial risk factors

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

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(a) Credit risk

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

The table below shows the bank deposits balance of the Group as at 31 December 2009 and 2008:

	31 December 2009	31 December 2008
Counterparties		
Major financial institutions	1,042,961	531,229

The Group has policies to place its cash and cash equivalents only with major financial institutions. As at 31 December 2009, most of cash and cash equivalents were deposited with major financial institutions in Mainland China. The Group's management do not expect any losses from non-performance by these counterparties.

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

	31 December 2009	31 December 2008
Loans to subsidiaries	219,179	183,171

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(b) Liquidity risk

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, together with adequate bank facilities disclosed in Note 22.

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

	Less than 1 year	Between 1 and 3 years	Over 3 and 5 years	Over 5 years
Group				
At 31 December 2009				
Bank borrowings (Note 22)	985,000	—	—	—
Corporate bonds, including interest (Note 22)	100,000	300,000	2,100,000	—
Trade and other payables (Note 21)	646,669	—	—	—
Long-tem payables (Note 24)	—	—	65,904	397,012
At 31 December 2008				
Bank borrowings (Note 22)	2,225,000	—	—	—
Trade and other payables (Note 21)	664,229	—	—	—
Long-tem payables (Note 24)	—	—	32,952	414,964
Company				
At 31 December 2009				
Bank borrowings (Note 22)	750,000	—	—	—
Corporate bonds, including interest (Note 22)	100,000	300,000	2,100,000	—
Trade and other payables (Note 21)	584,148	—	—	—
At 31 December 2008				
Bank borrowings (Note 22)	1,910,000	—	—	—
Trade and other payables (Note 21)	581,037	—	—	—

Notes to the consolidated financial statements

For the year ended 31 December 2009
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3 Financial risk management (continued)

3.1 Financial risk factors (continued)

(c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates.

The Group's interest-rate risk mainly arises from bank borrowings, corporate bonds and long-term payables. Bank borrowings issued at variable rates expose the Group to cash flow interest-rate risk. The Group's policy is to repay its floating-rate borrowings if the interest rate decreases more than 0.5% and borrow the new ones to limit the loss to extent of handling charge from banks. During 2009 and 2008, the Group's bank borrowings at variable rate were denominated in RMB.

The Group's bank borrowings to the extent of RMB 985 million (2008: RMB 2,225 million) were issued at variable rates. As at 31 December 2009, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 4.9 million (2008: RMB 10 million) higher or lower.

The Group's corporate bonds were issued at fixed rate and expose the Group to fair value interest risk. The fair value of the corporate bonds is disclosed in Note 22.

The Group's long-term payables were issued at interest free and expose the Group to fair value interest-rate risk. The fair value of the long-term payables is disclosed in Note 24.

3.2 Capital risk management

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

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

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

3 Financial risk management (continued)

3.2 Capital risk management (continued)

The Group's strategy is to maintain a gearing ratio below 30% and an AAA credit rating. The gearing ratio of the Group at 31 December 2009 and 2008 were as follows:

	31 December 2009	31 December 2008
Total borrowings (Note 22)	2,956,662	2,225,000
Less: cash and cash equivalents (Note 17)	(1,042,968)	(531,235)
Net debts	1,913,694	1,693,765
Total equity	5,654,684	5,351,649
Total capital	7,568,378	7,045,414
Gearing ratio	25.29%	24.04%

3.3 Fair value estimation

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

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

The following table presents the group's assets and liabilities that are measured at fair value at 31 December 2009.

	Level 1	Level 2	Level 3	Total
Available-for-sale financial asset	—	—	18,000	18,000

Notes to the consolidated financial statements

*For the year ended 31 December 2009
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3 Financial risk management (continued)

3.3 Fair value estimation (continued)

The Group's available-for-sale financial asset represented an 18% equity interest in an unlisted company (Note 14) and its fair value is determined by technique of discounted cash flow analysis. The level 3 instruments did not change for the year ended 31 December 2009 and no related profit or loss incurred as well.

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

4 Critical accounting estimates and judgements

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

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

(a) Construction revenue recognition under Service Concessions

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

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

Notes to the consolidated financial statements

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4 Critical accounting estimates and judgements (continued)

(a) Construction revenue recognition under Service Concessions (continued)

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. In ascertaining the amount of management fees, the directors have made reference to the practice for determining management fees for managing construction contracts transacted by similar toll roads companies in Anhui Province, whereby the fee is determined based on certain percentage of actual management cost incurred of each project, according to the scale and size of the respective projects. The directors of the Company believe the profit arising from the project management is very low due to sharp competition in local project management market. They also believe the situation of low margin will continue in future years. Thus, the profit from construction activities was not recognized in reporting periods.

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

(b) Provision for maintenance obligations

As described in Note 2.5, the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision. Provision for maintenance obligations at 31 December 2009 of RMB 28,169 thousand had been provided at the present value of expenditures expected to be incurred by the Group to settle the obligations at the balance sheet date (Note 23).

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each toll roads operated by the Group under the Service Concessions and the expected costs to be incurred for each event. The costs are then discounted to the present value based on a pre-tax discount rate of 5.94%, the incremental borrowing rate of the Group.

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

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

Notes to the consolidated financial statements

*For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)*

4 Critical accounting estimates and judgements (continued)

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

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

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

(d) Estimation of deferred taxation assets

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

5 Segment information

Management determines the operating segment based on the reports reviewed by the strategic steering committee that are used to make strategic decisions.

Management reviews the traffic volume statistics report during daily operation and it is also included in the performance report provided to the strategic steering committee. The traffic volume statistic report is not the financial information. Therefore, the Company did not prepare segment information for the year ended 2008 and 2009.

The Group is domiciled in Anhui Province, the PRC. The result of its revenue is from Anhui Province, the PRC. As at 31 December 2009 and 31 December 2008, total assets of the Group are located in Anhui Province, the PRC.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

6 Concession intangible assets

Group	31 December 2009	31 December 2008
Cost	10,268,286	9,519,350
Accumulated amortisation	(2,463,511)	(2,149,796)
Net book amount	7,804,775	7,369,554
	Year ended 31 December 2009	Year ended 31 December 2008
Opening net book amount	7,369,554	6,293,799
Additions	757,078	1,343,886
Amortisation charges (Note 29)	(321,857)	(268,131)
Closing net book amount	7,804,775	7,369,554
Company	31 December 2009	31 December 2008
Cost	9,079,188	8,393,833
Accumulated amortisation	(2,094,526)	(1,818,264)
Net book amount	6,984,662	6,575,569
	Year ended 31 December 2009	Year ended 31 December 2008
Opening net book amount	6,575,569	5,503,577
Additions	685,355	1,295,043
Amortisation charges	(276,262)	(223,051)
Closing net book amount	6,984,662	6,575,569

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

6 Concession intangible assets (continued)

As at 31 December 2009 and 2008, the toll roads under the Service Concessions and their respective concession periods granted are disclosed in Note 1.

All of the Group's lands under the Service Concessions are located in Anhui Province, the PRC and are held on lease terms of 26 to 30 years from the dates of acquisition, and expiring from 2026 to 2032.

Borrowing costs with the amount of RMB 61,100 thousand have been capitalised in 2009 at an average interest rate of 5.0690% (2008: RMB 69,981 thousand at an average interest rate of 6.3478%).

Amortisation expense of RMB 321,857 thousand has been charged in 'cost of sales' (2008: RMB 268,131 thousand).

As at 31 December 2009, certain land use right certificates for Ninghuai expressway Tianchang section, Hening expressway and one toll station in Guangde with a total carrying amount of RMB 155,651 thousand have not yet been obtained.

7 Land use rights

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

Group and Company	31 December 2009	31 December 2008
Cost	16,590	16,590
Accumulated amortisation	(4,755)	(4,108)
Net book amount	11,835	12,482
	Year ended 31 December 2009	Year ended 31 December 2008
Opening net book amount	12,482	13,128
Amortisation charges (Note 29)	(647)	(646)
Closing net book amount	11,835	12,482

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

Amortisation expense of RMB 647 thousand has been charged in 'cost of sales' (2008: RMB 646 thousand).

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

8 Property, plant and equipment

Group

	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
At 1 January 2008							
Cost	366,054	585,582	148,944	65,192	70,245	105,863	1,341,880
Accumulated depreciation	(62,537)	(349,956)	(76,053)	(34,631)	(47,059)	—	(570,236)
Net book value	<u>303,517</u>	<u>235,626</u>	<u>72,891</u>	<u>30,561</u>	<u>23,186</u>	<u>105,863</u>	<u>771,644</u>
Year ended 31 December 2008							
Opening net book amount	303,517	235,626	72,891	30,561	23,186	105,863	771,644
Additions	186	1,078	546	9,306	3,732	69,771	84,619
Disposals	—	(13,549)	(10,144)	(441)	(227)	—	(24,361)
Transfers	33,949	8,919	6,360	874	3,253	(53,355)	—
Transfer out to investment property (Note 9)	(7,912)	—	—	—	—	—	(7,912)
Depreciation (Note 29)	(14,016)	(51,182)	(16,392)	(6,441)	(6,606)	—	(94,637)
Closing net book amount	<u>315,724</u>	<u>180,892</u>	<u>53,261</u>	<u>33,859</u>	<u>23,338</u>	<u>122,279</u>	<u>729,353</u>
At 31 December 2008							
Cost	391,400	555,875	110,020	73,944	76,593	122,279	1,330,111
Accumulated depreciation	(75,676)	(374,983)	(56,759)	(40,085)	(53,255)	—	(600,758)
Net book value	<u>315,724</u>	<u>180,892</u>	<u>53,261</u>	<u>33,859</u>	<u>23,338</u>	<u>122,279</u>	<u>729,353</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

8 Property, plant and equipment (continued)

Group (continued)

	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
Year ended 31 December 2009							
Opening net book amount	315,724	180,892	53,261	33,859	23,338	122,279	729,353
Additions	—	41,772	1,844	4,578	3,665	62,445	114,304
Disposals	(4,739)	(3,801)	(2,592)	(732)	(517)	—	(12,381)
Transfers	16,091	6,513	961	—	187	(23,752)	—
Transfer out to investment property (Note 9)	(4,962)	—	—	—	—	—	(4,962)
Depreciation (Note 29)	(12,690)	(35,478)	(12,912)	(7,006)	(9,600)	—	(77,686)
Closing net book amount	<u>309,424</u>	<u>189,898</u>	<u>40,562</u>	<u>30,699</u>	<u>17,073</u>	<u>160,972</u>	<u>748,628</u>
At 31 December 2009							
Cost	395,426	579,314	95,908	69,689	75,324	160,972	1,376,633
Accumulated depreciation	(86,002)	(389,416)	(55,346)	(38,990)	(58,251)	—	(628,005)
Net book value	<u>309,424</u>	<u>189,898</u>	<u>40,562</u>	<u>30,699</u>	<u>17,073</u>	<u>160,972</u>	<u>748,628</u>

Depreciation expense of RMB57,841 thousand has been charged in 'cost of sales' (2008: RMB72,351 thousand); Depreciation expense of RMB19,845 thousand has been charged in 'administrative expenses' (2008: 22,286 thousand).

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

8 Property, plant and equipment (continued)

Company

	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
At 1 January 2008							
Cost	398,983	620,790	145,531	60,133	74,068	104,780	1,404,285
Accumulated depreciation	(63,482)	(353,362)	(73,212)	(32,192)	(44,966)	—	(567,214)
Net book value	<u>335,501</u>	<u>267,428</u>	<u>72,319</u>	<u>27,941</u>	<u>29,102</u>	<u>104,780</u>	<u>837,071</u>
At 31 December 2008							
Opening net book amount	335,501	267,428	72,319	27,941	29,102	104,780	837,071
Additions	186	771	420	8,566	3,433	68,262	81,638
Disposals	—	(13,549)	(10,144)	(439)	(227)	—	(24,359)
Transfers	33,949	8,919	6,360	874	3,253	(53,355)	—
Transfer out to investment property (Note 9)	(7,912)	—	—	—	—	—	(7,912)
Depreciation	(15,413)	(53,054)	(16,245)	(5,224)	(9,912)	—	(99,848)
Closing net book amount	<u>346,311</u>	<u>210,515</u>	<u>52,710</u>	<u>31,718</u>	<u>25,649</u>	<u>119,687</u>	<u>786,590</u>
At 31 December 2008							
Cost	424,330	590,217	106,959	68,232	80,175	119,687	1,389,600
Accumulated depreciation	(78,019)	(379,702)	(54,249)	(36,514)	(54,526)	—	(603,010)
Net book value	<u>346,311</u>	<u>210,515</u>	<u>52,710</u>	<u>31,718</u>	<u>25,649</u>	<u>119,687</u>	<u>786,590</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

8 Property, plant and equipment (continued)

Company (continued)

	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
Year ended 31 December 2009							
Opening net book amount	346,311	210,515	52,710	31,718	25,649	119,687	786,590
Additions	—	14,043	1,844	3,771	3,410	40,852	63,920
Disposals	(4,719)	(3,801)	(2,592)	(699)	(489)	—	(12,300)
Transfers	—	3,718	961	—	—	(4,679)	—
Transfer out to investment property (Note 9)	(4,962)	—	—	—	—	—	(4,962)
Depreciation	(13,751)	(35,430)	(12,747)	(6,436)	(10,164)	—	(78,528)
Closing net book amount	<u>322,879</u>	<u>189,045</u>	<u>40,176</u>	<u>28,354</u>	<u>18,406</u>	<u>155,860</u>	<u>754,720</u>
At 31 December 2009							
Cost	412,292	575,198	92,847	64,108	78,778	155,860	1,379,083
Accumulated depreciation	(89,413)	(386,153)	(52,671)	(35,754)	(60,372)	—	(624,363)
Net book value	<u>322,879</u>	<u>189,045</u>	<u>40,176</u>	<u>28,354</u>	<u>18,406</u>	<u>155,860</u>	<u>754,720</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

9 Investment properties

Group and Company

	Buildings
At 1 January 2008	
Cost	25,676
Accumulated amortisation	(2,835)
	<hr/>
Net book amount	22,841
	<hr/> <hr/>
Year ended 31 December 2008	
Opening net book amount	22,841
Transferred in from property, plant and equipment (Note 8)	7,912
Amortisation expenses (Note 29)	(972)
	<hr/>
Net book amount	29,781
	<hr/> <hr/>
At 31 December 2008	
Cost	34,465
Accumulated amortisation	(4,684)
	<hr/>
Net book amount	29,781
	<hr/> <hr/>
Year ended 31 December 2009	
Opening net book amount	29,781
Transferred in from property, plant and equipment (Note 8)	4,962
Amortisation expenses (Note 29)	(1,019)
	<hr/>
Net book amount	33,724
	<hr/> <hr/>
At 31 December 2009	
Cost	40,202
Accumulated amortisation	(6,478)
	<hr/>
Net book amount	33,724
	<hr/> <hr/>

Amortisation expense of RMB1,019 thousand has been charged in 'administrative expenses' (2008: 972 thousand).

The fair value for the investment properties as at 31 December 2009 was RMB142,500 thousand. The fair value was based on an independent assessment made by Anhui Zhiyuan Valuation Firm (安徽致遠資產評估有限公司).

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

10 Intangible assets

Group

Computer Software

At 31 December 2008

Cost	5,703
Accumulated amortisation	(2,856)
	<hr/>
Net book amount	2,847
	<hr/> <hr/>

Year ended 31 December 2008

Opening net book amount	3,485
Amortisation expenses (Note 29)	(638)
	<hr/>
Net book amount	2,847
	<hr/> <hr/>

At 31 December 2009

Cost	5,977
Accumulated amortisation	(3,428)
	<hr/>
Net book amount	2,549
	<hr/> <hr/>

Year ended 31 December 2009

Opening net book amount	2,847
Additions	274
Amortisation expenses (Note 29)	(572)
	<hr/>
Net book amount	2,549
	<hr/> <hr/>

Amortisation expense of RMB572 thousand has been charged in 'administrative expenses' (2008: RMB 638 thousand).

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

11 Investments in subsidiaries - Company

	31 December 2009	31 December 2008
Investments, at cost:		
Unlisted shares	138,495	138,495

The following is a list of the subsidiaries at 31 December 2009:

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

11 Investments in subsidiaries - Company (continued)

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

	2009			Total
	Xuan Guang (Note a)	Kang Cheng	Ningxuanhang (Note b)	
Balance at 1 January 2009	61,995	6,500	70,000	138,495
Changes in the year	—	—	—	—
Balance at 31 December 2009	<u>61,995</u>	<u>6,500</u>	<u>70,000</u>	<u>138,495</u>

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

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

11 Investments in subsidiaries - Company (continued)

(a) Investment in Xuan Guang

Xuan Guang is a co-operative joint venture established by the Company and Xuancheng Highway Management Company ("XHMC") in July 1998 with an operating period of 30 years. The Company invested in total RMB366,600 thousand in Xuan Guang, in the forms of capital contribution of RMB 36,660 thousand and long term loan of RMB329,940 thousand, representing the Company's share of the total investment in Xuan Guang in excess of the Company's share of its registered capital. According to the joint venture contract, annual distribution (the "distribution") equalling net profit plus amortisation of its concession intangible assets and depreciation of its fixed assets (the "amortisation and depreciation") are to be made wholly to the Company till the total distribution received by the Company equal to its total investment in Xuan Guang. Thereafter, the distribution will be shared by the Company and XHMC in proportion to their respective contributions to Xuan Guang's registered capital. The net profit portion of the distribution received is accounted for as dividend income while the amortisation and depreciation and amortisation portion of the distribution received is accounted for as repayments to the long term loan advanced to Xuan Guang.

Pursuant to a capital injection contract between the Company and XHMC dated 11th August 2003, XHMC contributed Xuanguang Expressway (Nanhuan section) to Xuan Guang at an agreed price of RMB398,800 thousand in the form of capital contribution of RMB 39,880 thousand and long-term loan of RMB358,920 thousand.

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

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

According to the contracts, agreements and board resolution mentioned above, for the year ended 31 December 2009, the net profit portion of the distribution attributable to XHMC amounted to RMB57,355,842 (2008: RMB48,095,766); the depreciation and amortisation portion of the distribution attributable to XHMC amounted to RMB0 (2008: RMB0).

Notes to the consolidated financial statements

*For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)*

11 Investments in subsidiaries - Company (continued)

(b) Investment in Ningxuanhang

Ningxuanhang is a co-operative joint venture established by the Company and Xuancheng Communication Construction Co., Ltd. ("XCCC") in April 2008 with a provisional operating period of 2 years. The official operating period will be granted after toll road construction is completed. As at 31 December 2009, the Company invested in total RMB105,000 thousand in Ningxuanhang, in the forms of capital contribution of RMB70,000 thousand and long-term loan of RMB35,000 thousand, representing the Company's share of the total investment in Ningxuanhang in excess of the Company's share of its registered capital. As agreed with XCCC, annual distribution (the "distribution") equalling net profit plus 35% of amortisation and depreciation portion are to be made to the Company and XCCC in proportion of their respective equity interest in Ningxuanhang. Distribution equalling 65% of amortisation and depreciation portion is to repay Ningxuanhang's bank borrowings until bank borrowings are fully settled. Thereafter, the distribution equalling net profit plus the amortisation and depreciation are to be made wholly to the Company and XCCC in proportion to their respective equity interest in Ningxuanhang. The net profit portion of the distribution received is accounted for as dividend income while the amortisation and depreciation portion of the distribution received is accounted for as repayments to the long-term loan.

As at 31 December 2009, Ningxuanhang was still in pre-operation stage.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

12 Loans to subsidiaries- Company

	31 December 2009	31 December 2008
Loans to subsidiaries	219,179	183,171

As at 31 December 2009, loans to subsidiaries represent the Company's share of the total investment in Xuan Guang and Ningxuanhang in excess of the Company's share of its registered capital (Note 11(a), (b)).

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

	Carrying Amounts		Fair Value	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Loans to Xuan Guang	194,469	183,171	195,572	251,681
Loans to Ningxuanhang	24,710	—	24,710	—
	219,179	183,171	220,282	251,681

The above loans are unsecured, and the repayment terms are set out in Note 11(a), (b).

The fair values of the loans are based on cash flows discounted using 5.94%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2009 (31 December 2008: 5.94%).

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

13 Investments in an associate

Group	31 December 2009	31 December 2008
Beginning of the year	23,928	7,409
Share of associates' results		
– profit before income tax	4,003	3,941
– income tax	(1,062)	(988)
Increase of equity interest in associates (a)	—	17,556
Dividends declared	—	(3,990)
End of the year	<u>26,869</u>	<u>23,928</u>

- (a) The Company increased its equity interests in Anhui Expressway Advertisement Co., Ltd. by RMB 17,556 thousand in 2008. The capital contribution was verified by a local CPA firm.

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

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenue	Net Profit	% of Interest held
2009							
Anhui Expressway Advertisement Co., Ltd.	Equity capital	PRC	<u>40,902</u>	<u>14,033</u>	<u>14,876</u>	<u>2,941</u>	<u>38%</u>
2008							
Anhui Expressway Advertisement Co., Ltd.	Equity capital	PRC	<u>38,066</u>	<u>14,138</u>	<u>11,152</u>	<u>2,953</u>	<u>38%</u>
Company					31 December 2009	31 December 2008	
Unlisted equity, at cost					<u>18,999</u>	<u>18,999</u>	

Notes to the consolidated financial statements

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(All amounts in Renminbi thousands unless otherwise stated)

14 Available-for-sale financial assets

Group and Company	31 December 2009	31 December 2008
Unlisted equity securities	18,000	18,000

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

For the unlisted equity securities, there was neither gain/loss recognized in equity nor amount removed from equity in the years ended 31 December 2009 and 2008.

15 Trade and other receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
Prepayments	12	197	—	191
Dividends receivable (a)	3,990	3,990	3,990	3,990
Others (b)	19,085	16,184	18,038	15,461
	23,087	20,371	22,028	19,642
Less: Provision for impairment in value	—	—	—	—
	23,087	20,371	22,028	19,642

(a) A dividend of RMB3,990 thousand was declared by Anhui Expressway Advertisement Co., Ltd. in 2008 but was not received by the Company as at 31 December 2009.

(b) As at 31 December 2009, others mainly include receivable from the toll settlement centre of Anhui Province of RMB11,475 thousand (2008: RMB11,769 thousand) for toll road management and maintenance.

The balances were all non-interest bearing. As at 31 December 2009, receivables of RMB16,766 thousand were aged within one year (2008: RMB20,371 thousand).

As at 31 December 2009 and 2008, all trade and other receivables balances were denominated in RMB and were fully performing.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

16 Inventories

	Group As at 31 December		Company As at 31 December	
	2009	2008	2009	2008
Materials for toll road maintenance	<u>2,395</u>	<u>1,857</u>	<u>2,395</u>	<u>1,857</u>

17 Cash and cash equivalents

	Group As at 31 December		Company As at 31 December	
	2009	2008	2009	2008
Cash at bank and in hand	<u>1,042,968</u>	<u>531,235</u>	<u>950,169</u>	<u>385,057</u>

The weighted average effective interest rate per annum on cash at bank was approximately 0.36% (2008: 0.69%).

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

	Group As at 31 December		Company As at 31 December	
	2009	2008	2009	2008
RMB	<u>1,027,538</u>	<u>514,141</u>	<u>934,739</u>	<u>367,963</u>
HKD (RMB equivalents)	<u>15,430</u>	<u>17,094</u>	<u>15,430</u>	<u>17,094</u>
	<u>1,042,968</u>	<u>531,235</u>	<u>950,169</u>	<u>385,057</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

18 Ordinary share capital and share premium

	Number of shares (thousand)	Ordinary share capital	Share Premium	Total
At 1 January 2008	1,658,610	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—
At 31 December 2008	1,658,610	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—
At 31 December 2009	<u>1,658,610</u>	<u>1,658,610</u>	<u>1,415,593</u>	<u>3,074,203</u>

The total authorised number of ordinary shares is 1,658,610 thousand shares with a par value of RMB 1 per share. All issued shares are fully paid.

Share reform plan

Pursuant to the Revised Share Reform Plan announced by the Company on 14 February 2006, AEHC and Huajian Transportation Economic Development Centre, both of whom are shareholders of the Company, proposed to offer, free of consideration, the holders of A shares on the basis of 2 shares and RMB 4.35 for every 10 A Shares held by the shareholders on 30 March 2006. The original non-tradable A shares held by AEHC and Huajian Transportation Economic Development Centre would be granted the status of listing after implementation of the Revised Share Reform Plan. The proposal has been approved by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province (Wan Guo Zi Chan Quan Han 2006 No.50), Ministry of Commerce of the PRC (Shang Zi Pi 2006 No.844) and has been approved at the relevant shareholders' meeting held on 27 February 2006.

Pursuant to the Revised Share Reform Plan, 533,878 thousand non-tradable A shares held by AEHC and Huajian Transportation Economic Development Centre have been transferred to tradable A shares since 3 April 2009 (2008: 165,861 thousand shares). Thereafter, all of the Company's A shares are tradable in the market.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

19 Other reserves

Group

	Capital Surplus	Statutory Surplus Reserve Fund (Note 36 (a))	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Excess of the consideration over carrying amount of the minority interests acquired	Total
Balance at 1 January 2008	2,243	660,890	658	38,741	(699,147)	3,385
Profit appropriations	—	71,042	—	—	—	71,042
Utilization of Enterprise Safety Fund	—	—	—	(363)	—	(363)
Balance at 31 December 2008	2,243	731,932	658	38,378	(699,147)	74,064
Profit appropriations	—	69,727	—	—	—	69,727
Appropriation to Enterprise Safety Fund	—	—	—	3,581	—	3,581
Balance at 31 December 2009	2,243	801,659	658	41,959	(699,147)	147,372

Company

	Statutory Surplus Reserve Fund (Note 36 (a))	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Total
Balance at 1 January 2008	603,733	658	32,979	637,370
Profit appropriations	71,042	—	—	71,042
Utilization of Enterprise Safety Fund	—	—	(363)	(363)
Balance at 31 December 2008	674,775	658	32,616	708,049
Profit appropriations	69,727	—	—	69,727
Appropriation to Enterprise Safety Fund	—	—	3,581	3,581
Balance at 31 December 2009	744,502	658	36,197	781,357

Notes to the consolidated financial statements

For the year ended 31 December 2009
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19 Other reserves (continued)

Upon approval from the Board of Directors, capital surplus, other than those relating to receipts of donated non-cash assets and equity investments held, can be used to increase capital. Capital surplus arising from receipts of donated non-cash assets and equity investments can only be used to increase capital after the donated assets or investments have been disposed of.

The Company appropriates discretionary surplus reserve after shareholders' meeting approves the Board of Director's proposal. The discretionary surplus reserve can be used to make up for the loss or increase the paid-in capital after approval.

For enterprise safety fund, please refer to Note 2.26.

20 Deferred income

	31 December 2009	31 December 2008
Group and Company		
Government grants	44,000	46,000

Deferred income represents government grants relating to assets and is amortised over 25 years (Note 2.19 and 28).

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

21 Trade and other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
Payables on acquisition of concession intangible assets and property, plant and equipment	523,208	488,632	466,330	421,501
Payables on repair and maintenance projects	24,891	38,343	24,891	38,343
Deposit for construction projects	26,815	37,714	23,364	35,186
Toll received on behalf of other entities	31,248	36,113	39,544	33,189
Other taxation payables	13,450	21,327	10,869	18,415
Accrued expenses	15,363	5,737	15,363	5,737
Other payables	11,694	36,363	3,787	28,666
	<u>646,669</u>	<u>664,229</u>	<u>584,148</u>	<u>581,037</u>

The balances were all non-interest bearing. As at 31 December 2009, trade and other payables of RMB 286,291 thousand were aged over one year (2008: 128,814 thousand). These payables were mainly for construction projects and will be settled after project is completed.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

22 Borrowings

Group

	31 December 2009		31 December 2008	
	Interest rate per annum	Amount	Interest rate per annum	Amount
Non-current				
Corporate bonds denominated in RMB (a)	5.00%	1,971,662	—	—
Current				
Unsecured short-term bank borrowings denominated in RMB	3.75%- 7.097%	985,000	4.536%- 7.097%	2,225,000
Total borrowings		<u>2,956,662</u>		<u>2,225,000</u>

Company

	31 December 2009		31 December 2008	
	Interest rate per annum	Amount	Interest rate per annum	Amount
Non-current				
Corporate bonds denominated in RMB (a)	5.00%	1,971,662	—	—
Current				
Unsecured short-term bank borrowings denominated in RMB	3.75%- 7.097%	750,000	4.536%- 7.097%	1,910,000
Total borrowings		<u>2,721,662</u>		<u>1,910,000</u>

- (a) As approved by the China Securities Regulatory Commission on 28 August 2009, the Company issued corporate bonds of RMB 2,000,000 thousand for a term of 5 years, bearing interest at 5% per annum on 17 December 2009. Interest is payable annually and the principal is repayable in full upon maturity. The full amount of principal and interest of the bonds is unconditionally and irrevocably guaranteed by AEHC.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

22 Borrowings (continued)

At 31 December 2009, the Group's and the Company's borrowings are repayable as follows,

Group

	Bank borrowings		Corporate bonds	
	2009	2008	2009	2008
Within 1 year	985,000	2,225,000	—	—
Between 1 and 2 years	—	—	—	—
Between 2 and 5 years	—	—	1,971,662	—
	<u>985,000</u>	<u>2,225,000</u>	<u>1,971,662</u>	<u>—</u>

Company

	Bank borrowings		Corporate bonds	
	2009	2008	2009	2008
Within 1 year	750,000	1,910,000	—	—
Between 1 and 2 years	—	—	—	—
Between 2 and 5 years	—	—	1,971,662	—
	<u>750,000</u>	<u>1,910,000</u>	<u>1,971,662</u>	<u>—</u>

As at 31 December 2009, the carrying amounts of borrowings approximate their fair value, as the impact of discounting of carrying amounts to their fair value is not significant.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

22 Borrowings (continued)

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

	31 December 2009	31 December 2008
Expiring within one year	2,310,000	345,000

The exposure of the Group's and Company's borrowings to interest rate changes and the contractual repricing dates at the end of reporting period are as follows:

	Group		Company	
	2009	2008	2009	2008
Within 1 year	985,000	2,225,000	750,000	1,910,000
Over 1 year	—	—	—	—

23 Provision - maintenance/resurfacing obligations (Note 4(b))

	Group	Company
Balance at 1 January 2009	15,966	15,700
Additions	12,203	12,203
Balance at 31 December 2009	28,169	27,903

Notes to the consolidated financial statements

For the year ended 31 December 2009
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24 Long-term payables - Group

	31 December 2009	31 December 2008
Long-term payables to XHMC (a)	264,961	249,568
Long-term payables to XCCC (b)	10,590	—
	275,551	249,568

- (a) As at 31 December 2009 and 2008, long-term payables to XHMC, the minority shareholder of Xuan Guang, representing XHMC's share of total investment in Xuan Guang in excess of XHMC's equity contribution in Xuan Guang. Details of repayment terms of such long-term payables are set out in Note 11(a).
- (b) As at 31 December 2009, long-term payables to XCCC, the minority shareholder of Ningxuanhang, representing XCCC's share of total investment in Ningxuanhang in excess of XCCC's equity contribution in Ningxuanhang. Details of repayment terms of such long-term payables are set out in Note 11(b).

As at 31 December 2009, the undiscounted amount of long-term payables to XHMC was RMB 447,916 thousand (2008: RMB 447,916 thousand) and to XCCC was RMB 15,000 thousand.

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

	Carrying Amounts		Fair Value	
	31 December 2009	31 December 2008	31 December 2009	31 December 2008
Long-term payables to XHMC	264,961	249,568	266,967	251,681
Long-term payables to XCCC	10,590	—	10,590	—
	275,551	249,568	277,557	251,681

The fair values of long-term payables are based on cash flows discounted using 5.94%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2009 (31 December 2008: 5.94%).

Notes to the consolidated financial statements

For the year ended 31 December 2009
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25 Deferred tax assets and liabilities

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

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
Deferred tax assets:				
– Deferred tax to be realised after more than 12 months	—	—	8,642	5,283
– Deferred tax to be realised within 12 months	—	—	—	—
	<u>—</u>	<u>—</u>	<u>8,642</u>	<u>5,283</u>
	<u><u>—</u></u>	<u><u>—</u></u>	<u><u>8,642</u></u>	<u><u>5,283</u></u>

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
Deferred tax liabilities:				
– Deferred tax to be settled after more than 12 months	(63,553)	(68,547)	—	—
– Deferred tax to be settled within 12 months	—	—	—	—
	<u>(63,553)</u>	<u>(68,547)</u>	<u>—</u>	<u>—</u>
	<u><u>(63,553)</u></u>	<u><u>(68,547)</u></u>	<u><u>—</u></u>	<u><u>—</u></u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
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25 Deferred tax assets and liabilities (continued)

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

	Valuation of assets and depreciation -toll roads	Valuation and amortisation of toll roads related land use rights	Provision	Accounting for interest free loan	Accounting for Government grants	Others	Total
Balance at 1 January 2008	(42,462)	(6,407)	4,974	28,600	15,840	12,235	12,780
Deferred taxation charged to income statement	4,051	345	(1,049)	(2,660)	(660)	(7,524)	(7,497)
Balance at 31 December 2008	(38,411)	(6,062)	3,925	25,940	15,180	4,711	5,283
Deferred taxation charged to income statement	2,162	345	3,050	(72)	(660)	(1,466)	3,359
Balance at 31 December 2009	(36,249)	(5,717)	6,975	25,868	14,520	3,245	8,642

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

	Valuation of assets and depreciation -toll roads	Valuation and amortisation of toll roads related land use rights	Provision	Accounting for interest free loan	Accounting for Government grants	Others	Total
Balance at 1 January 2008	(42,462)	(6,406)	5,057	(53,211)	15,840	14,879	(66,303)
Deferred taxation charged to income statement (Note 32)	4,050	344	(1,066)	3,624	(660)	(8,536)	(2,244)
Balance at 31 December 2008	(38,412)	(6,062)	3,991	(49,587)	15,180	6,343	(68,547)
Deferred taxation charged to income statement (Note 32)	2,163	345	3,052	3,849	(660)	(2,575)	6,174
Deferred taxation charged to equity (a)	—	—	—	(1,180)	—	—	(1,180)
Balance at 31 December 2009	(36,249)	(5,717)	7,043	(46,918)	14,520	3,768	(63,553)

- (a) Deferred taxation charged to equity represented the deferred tax liability arising from the temporary difference between carrying amount and undiscounted amount for the long-term payables to XCCC (Note 24).

Notes to the consolidated financial statements

For the year ended 31 December 2009
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26 Retirement benefit obligations - Group

The Group participates in the Anhui Provincial Retirement Scheme managed by Anhui Social Security Management Bureau (“the Bureau”). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to the 20%-23% (2008: 20%-23%) of the basic monthly salary, subject to certain ceiling, in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

In addition to the above pension plans, the employees of the Group also entered into a supplementary pension scheme on a voluntary basis. The Group is required to make an annual contribution to an independent fund management company equivalent to the basic monthly salary, subject to certain ceiling, in respect of its employees. The Group is also required to pay RMB 230 every month to those employees, who have retired or will retire before 31 December 2015. As at 31 December 2009, the retired employees of the Group were 24.

27 Revenue - Group

	Year ended 31 December	
	2009	2008
Toll income from toll roads operation	1,706,671	1,609,582
Revenue from construction or upgrade work under Service Concessions	757,078	1,273,905
Service income from toll roads service sector	44,909	53,771
Rental income (Note 40(b))	2,127	2,366
Service income from management of toll roads (Note 40(b))	15,705	15,492
Service income from roads emergency assistance	1,970	8,226
Other	180	120
	<u>2,528,640</u>	<u>2,963,462</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
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28 Other (losses)/gains - net - Group

	Year ended 31 December	
	2009	2008
Dividend income from an unlisted company (Note 14 and 37)	900	900
Interest income (Note 37)	3,607	5,090
Loss from disposal on property, plant and equipment (Note 37)	(12,371)	(24,090)
Gain from disposal on property, plant and equipment (Note 37)	217	13
Government grants		
– Subsidy income (a)	—	59,120
– Government grants relating to assets (Note 20)	2,000	2,000
Others	1,745	(618)
	(3,902)	42,415

(a) The Company received subsidy associated with enterprise income tax with the amount of RMB 59,120 thousand from the Department of Finance of Anhui Province in 2008.

29 Expenses by nature - Group

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

	Year ended 31 December	
	2009	2008
Costs for construction or upgrade work under the Service Concessions (Note 2.5)	757,078	1,273,905
Depreciation and amortisation expenses (Notes 6,7,8,9,10)	401,781	365,024
Employee benefit expenses (Note 30)	117,230	102,087
Repair and maintenance expenses	129,633	118,866
Tax related to revenue (a)	57,878	53,431
Expenses for toll roads service sector	30,556	35,972
Auditor's remuneration	1,890	1,890
Others	13,407	22,428
	1,509,453	1,973,603

Notes to the consolidated financial statements

For the year ended 31 December 2009
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29 Expenses by nature - Group (continued)

(a) Tax related to revenue

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

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

- (i) City Development Tax - levied at 5%-7% of BT.
- (ii) Education Supplementary Tax - levied at 3% of BT.

30 Employee benefit expenses - Group

	Year ended 31 December	
	2009	2008
Salaries and wages	82,743	79,173
Retirement benefits	3,441	2,345
Other welfares	31,046	20,569
	<u>117,230</u>	<u>102,087</u>

As at 31 December 2009, the number of employees were 1,874 (31 December 2008: 1,823).

Notes to the consolidated financial statements

For the year ended 31 December 2009
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30 Employee benefit expenses - Group (continued)

(a) Directors' and senior management's emoluments

The remuneration of every Director for the year ended 31 December 2009 is set out below:

Name of Director	Fees	Salaries	Other benefits	Contribution to pension scheme	Total
Executive Directors					
Mr. Wang Shui	—	586	—	—	586
Mr. Li Yungui	—	352	—	23	375
Mr. Tu Xiaobei	—	352	—	23	375
Mr. Li Junjie	—	352	—	23	375
Non Executive Directors					
Mr. Liu Xianfu	80	—	—	—	80
Mr. Meng Jie	80	—	—	—	80
Independent Directors					
Mr. Liang Mingjie	120	—	—	—	120
Ms Li Mei	80	—	—	—	80
Ms Guo Shan	80	—	—	—	80
	<u>440</u>	<u>1,642</u>	<u>—</u>	<u>69</u>	<u>2,151</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
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30 Employee benefit expenses - Group (continued)

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

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

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

(b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for both years include four directors, whose emoluments are reflected in the analysis presented above, and an employee whose emoluments amounted to RMB322 thousand (2008: RMB390 thousand).

Notes to the consolidated financial statements

For the year ended 31 December 2009
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31 Finance costs - Group

	Year ended 31 December	
	2009	2008
Interest expense on:		
– bank borrowings	56,317	51,086
– amortisation of long-term payables to XHMC (Note 24(a))	15,393	14,498
	<u>71,710</u>	<u>65,584</u>

32 Taxation - Group

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

	Year ended 31 December	
	2009	2008
Current taxation- CIT (a)	226,860	248,742
Deferred taxation charged to income (Note 25)	(6,174)	2,244
Deferred taxation charged to equity (Note 25)	1,180	—
	<u>221,866</u>	<u>250,986</u>

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

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

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

Notes to the consolidated financial statements

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32 Taxation - Group (continued)

(b) Withholding tax (“WHT”) for dividend paid to foreign investors

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

In 2009, WHT has been levied on the foreign shareholders for the dividends relating to 2008.

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

	Year ended 31 December	
	2009	2008
Profit before income tax	946,516	969,642
Weighted - average EIT rates	25.23%	25.88%
Tax calculated at the weighted-average tax rate	238,792	250,986
Tax adjustment made after tax filing (a)	(16,926)	—
Tax Charge	221,866	250,986

- (a) The tax adjustment was mainly because that, as disclosed in Note 28, the Company received subsidy income of RMB 59,120 thousand from government authority in 2008 and included it in total taxable income for annual tax filing. During annual tax filing in 2009 in respect of 2008’s taxable income, tax authority allowed the Company to exclude this subsidy income from the taxable income. Thus, related income tax of RMB 14,780 thousand was adjusted in 2009 and credited to income statement.

Notes to the consolidated financial statements

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33 Profit attributable to shareholders of the Company

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately RMB610,770 thousand (2008: RMB680,616 thousand).

34 Earnings per share

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

	Year ended 31 December	
	2009	2008
Profit attributable to equity holders of the Company	667,434	670,700
Weighted average number of ordinary shares in issue (thousand)	1,658,610	1,658,610
Basic earnings per share (expressed in RMB per share)	<u>0.4024</u>	<u>0.4044</u>

35 Dividends

The dividends paid during the years ended 31 December 2009 and 2008 were RMB381,480 thousand (RMB0.23 per share) and 331,722 thousand (RMB0.20 per share) respectively. A final dividend in respect of 2009 of RMB0.20 per share, amounting to a total dividend of RMB331,722 thousand will be proposed at the Annual General Meeting on 28 May 2010. These financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2009	2008
Proposed final dividend of RMB0.20 (2008: RMB 0.23) per ordinary share	<u>331,722</u>	<u>381,480</u>

Notes to the consolidated financial statements

*For the year ended 31 December 2009
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36 Appropriation

(a) Statutory Surplus Reserve Fund

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

(b) Dividends distribution

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

Notes to the consolidated financial statements

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37 Notes to consolidated cash flow statement

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

	Year ended 31 December	
	2009	2008
Profit before income tax	946,516	969,642
Adjustments for:		
Settlement of revenue in form of concession intangible assets	(757,078)	(1,273,905)
Amortisation of Concession intangible assets	321,857	268,131
Depreciation of property, plant and equipment	77,686	94,637
Depreciation of investment property	1,019	972
Amortisation of land use rights	647	646
Amortisation of intangible assets	572	638
Loss on disposal of property, plant and equipment	12,371	24,090
Gain on disposal of property, plant and equipment	(217)	(13)
Share of profit of associates	(2,941)	(2,952)
Interest income	(3,607)	(5,090)
Interest expense	71,710	65,584
Dividend income	(900)	(900)
Operating profit before working capital changes	667,635	141,480
(Increase)/Decrease in inventories	(538)	1,126
Increase/(Decrease) in provision	12,203	(4,259)
Increase in trade and other receivables	(2,716)	(4,980)
Increase in trade and other payables	43,404	89,067
Cash generated from operating activities	719,988	222,434

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

38 Commitments - Group

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	Year ended 31 December	
	2009	2008
Concession intangible assets		
– Approved but not contracted	586,000	201,737
– Contracted but not provided for	109,000	719,000
	<u>695,000</u>	<u>920,737</u>

39 Contingency

The Company is established in Anhui Hefei National New & High Technology Industrial Development Zone and was originally ratified as a new and high technology enterprise by Anhui Ministry of Science (identification number: 0034010A0279). The Company used a preferential enterprise income tax (“EIT”) rate of 15% from the years of 2001 to 2006 in its annual tax filing, according to PRC tax regulations (Caishui [1994] No.001, jointly issued by Ministry of Finance and State Administration of Taxation) and the tax authority had approved the Company’s annual tax filing for the years before 2006. During 2007 for 2006’s annual tax clearance, local tax authority notified the Company that the existing EIT rate of 15% in declaring EIT was not appropriate and should be adjusted to 33%, hence, additional EIT of Rmb 149,550 thousand for the year ended 31 December 2006 was levied in 2007. Management believes other than year of 2006, it is not likely that the EIT rate for the years before 2006 will be adjusted by tax authority.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

40 Related party transactions

Parties are considered to be related if one party has the ability, directly or indirectly, to control the other party, or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence.

(a) Name of related party and relationship

Name	Relationship with the Group
AEHC	Parent company
XHMC	Minority shareholder of Xuan Guang
XCCC	Minority shareholder of Ningxuanhang
Anlian Expressway Co., Ltd. ('ALEC')	Subsidiary of AEHC
Anhui Expressway Investment Co., Ltd. ('AEIC')	Subsidiary of AEHC
Anhui Yanjiang Expressway Co., Ltd. ('AYEC')	Subsidiary of AEHC
Anhui Hehuaifu Expressway Co., Ltd. ('AHEC')	Subsidiary of AEHC
Anhui Yida Toll Road Management Co., Ltd. ('YTMC')	Subsidiary of AEHC
Anhui Expressway Advertisement Co., Ltd. ('AEAC')	Subsidiary of AEHC
Anhui Expressway Real Estate Co., Ltd. ('AREC')	Subsidiary of AEHC
Anhui Modern Transportation Facilities Co., Ltd. ('MTFC')	Subsidiary of AEHC
Anhui Expressway Experiment Research Centre ('AERC')	Subsidiary of AEHC

(b) Related party transactions

The Group had the following significant transactions with related parties:

(i) Service income from management of toll roads

	Year ended 31 December	
	2009	2008
AEHC	3,749	3,749
AYEC	1,250	1,581
ALEC	1,250	1,250
AHEC	1,250	827
	<u>7,499</u>	<u>7,407</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

40 Related party transactions (continued)

(b) Related party transactions (continued)

(ii) Rental income

	Year ended 31 December	
	2009	2008
YTMC	355	366
AREC	288	—
MTFC	109	—
AEIC	—	339
	<u>752</u>	<u>705</u>

(iii) Paid and payable for management of toll road service sectors

	Year ended 31 December	
	2009	2008
YTMC	<u>3,500</u>	<u>3,500</u>

(iv) Paid and payable for construction and testing service

	Year ended 31 December	
	2009	2008
AREC	5,370	1,270
AERC	1,364	1,848
MTFC	970	646
AEAC	—	4,762
AEIC	—	2,566
AHEC	—	880
	<u>7,704</u>	<u>11,972</u>

It mainly represented project management fee payable to above related parties for construction and testing service in connection with the upgrade project of Gaojie Expressway, which was started from the end of 2007.

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

40 Related party transactions (continued)

(b) Related party transactions (continued)

(v) *Guarantee received*

The full amount of principal and interest of corporate bonds is unconditionally and irrevocably guaranteed by AEHC (Note 22).

(vi) *Transactions with the State-owned Enterprises*

	Year ended 31 December	
	2009	2008
Borrowings from banks	1,530,000	1,235,000
Toll road repair and maintenance cost paid and payable	9,002	13,661
Toll road construction/upgrade cos paid and payable	896,695	825,186
	<u>2,435,697</u>	<u>2,073,847</u>

(c) Related party balances

(i) *Trade payables*

	Group As at 31 December		Company As at 31 December	
	2009	2008	2009	2008
MTFC	1,761	4,641	40	—
AERC	1,182	—	92	—
AEIC	358	357	358	357
State-owned Enterprises	278,823	431,386	251,253	395,419
	<u>282,124</u>	<u>436,384</u>	<u>251,743</u>	<u>395,776</u>

Notes to the consolidated financial statements

For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)

40 Related party transactions (continued)

(c) Related party balances (continued)

(ii) Other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
YTMC	3,181	3,015	3,181	3,015
MTFC	389	359	389	—
State-owned Enterprises	80,639	1,720	80,639	1,700
	<u>84,209</u>	<u>5,094</u>	<u>84,209</u>	<u>4,715</u>

(iii) Long-term payables

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
XHMC	264,961	249,568	—	—
XCCC	10,590	—	—	—
	<u>275,551</u>	<u>249,568</u>	<u>—</u>	<u>—</u>

As at 31 December 2009 and 31 December 2008, amounts due from and due to the related parties as afore mentioned, except for long-term payables to XHMC and XCCC as disclosed in Note 24, mainly arose from the above transactions and payments made by the Group/ Company and related parties on behalf of each other. These amounts are unsecured, interest-free and are repayable within 1 year.

(iv) Bank deposits and borrowings with state-owned banks

	Group		Company	
	As at 31 December		As at 31 December	
	2009	2008	2009	2008
State-owned banks-bank deposits	302,070	329,088	216,867	205,991
State-owned banks-borrowings	295,000	625,000	110,000	460,000
	<u>597,070</u>	<u>954,088</u>	<u>326,867</u>	<u>665,991</u>

Notes to the consolidated financial statements

*For the year ended 31 December 2009
(All amounts in Renminbi thousands unless otherwise stated)*

41 Events after the balance sheet date

Pursuant to a resolution of the Board of Meeting on 6 April 2010, a cash dividend of RMB331,722 thousand was proposed. Please refer to Note 35 for details.

42 Other matter

On 11 June 2009, the Company set up an American depositary receipt ('ADR') program with Bank of New York Mellon (as the depositary bank). The number of ADR registered by the Company under the ADR program is 50,000 thousand. Each ADR represents ten ordinary H shares traded on the Hong Kong Stock Exchange. The price of each ADR corresponds to the price of the ordinary H shares in Hong Kong Stock Exchange, adjusted to the ratio of the ADR to H shares. The Company does not have plan to issue additional H shares under the ADR program. The ADR would trade in the over-the-counter market (OTC) of U.S. only.

Confirmation Opinion to 2009 Annual Report by Directors and Senior Management

Being the Directors and Senior Management of Anhui Expressway Company Limited, we hereby confirm in writing that the content of the 2009 annual report is authentic, accurate, complete, of the opinion that there are no false representations or misleading statements contained in or material omissions from this report; and shall be severally and jointly accept responsibility for the authenticity, accuracy and completeness of the content of this report.

Directors' Signature:

Zhou Renqiang: 周仁强

Li Yungui: 李应贵

Tu Xiaobei: 涂晓北

Li Junjie: 李俊杰

Liu Xianfu: 刘显富

Meng Jie: 孟杰

Leung Man Kit: 梁文傑

Li Mei: 李梅

Guo Shan: 郭山

Senior Management Members' Signatures:

Xie Xinyu: 谢信宇

Wang Changyin: 王长银

Liang Bing: 梁兵

6 April 2010

Appendix:

I. Profile of the highways

Name of roads	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Terms of operation
Hening Expressway	134	4 (part of 8 Lanes)	8	3	Commencing from 16 August 1996 to 15 August 2026
New Tianchang Section of National Trunk 205	30	4	1	—	Commencing from 1 January 1997 to 31 December 2026
Gaojie Expressway	110	4	3	4	Commencing from 1 October 1999 to 30 September 2029
Xuanguang Expressway	84	4	4	2	Commencing from 1 January 1999 to 31 December 2028 (South Ring Road: Commencing from 1 September 2003 to 31 December 2028)
Lianhuo Expressway Anhui Section	54	4	5	1	Commencing from 1 January 2003 to 30 June 2032
Ninghuai Expressway Tianchang Section	14	6	1	1	Commencing from 18 December 2006 to 17 June 2032
Ningxuanhang Expressway (Anhui Section)	122	4			As at 31 December 2009, it was under construction.

Appendix

Hening Expressway (G40 Hushan Expressway Hening Section)

Hening Expressway is a 134km long dual carriageway four-lane expressway owned by the Company in Anhui Province linking Dashushan and Zhouzhuang (the Dashushan to Longxi Overpass Section is of eight-lane) This expressway forms an integral part of the “Two Verticals and Two Horizontals” National Trunk Highway from Shanghai to Chengdu in Sichuan Province, which also forms part of the National Trunk 312 linking Shanghai and Yining in Xinjiang. It is currently a major source of profit and cash flow for the Company.

The New Tianchang Section of National Trunk 205

The New Tianchang Section of National Trunk 205 is a dual carriageway four-lane vehicular highway of Class 1 standard of 30km long situated in Tianchang in Anhui Province. Tianchang Section is a part of National Trunk 205, which starts in Shanhaiguan, Hebei Province and ends in Guangzhou, Guangdong Province. This national trunk also forms part of the highway linking Lianyungang and Nanjing in Jiangsu Province.

Ninghuai Expressway Tianchang Section

Ninghuai Expressway Tianchang Section is an important road section of Ninghuai Expressway, with a whole length of 13.989km, and has the standard of dual carriageway six-lane expressway. It was completed and opened to traffic on 18 December 2006. The road runs through Tianchang city east of Anhui Province, starting from the terminal of the Jiangsu Nanjing Section of Ninghuai Expressway in Tianchang city, and ending at the Jiangsu Huaian Section of the Ninghuai Expressway. It is an important part in the key highway and national “7918” expressway network from Changchun to Shenzhen for the economic development of the eastern Anhui and the whole of northern Jiangsu, at the same time is also an important part in the key backbone in the trunk road network in Anhui Province. It directly or indirectly links various National Trunks of Hulong, Jinghu, Tongshan, Lianhuo, Ninghang and national key planned highway constructions of Jiayin to Nanping, Shanghai to Luoyang.

Gaojie Expressway (G50 Huyu Expressway Gaojie Section)

The Gaohe to Jiezidun Expressway, with a length of approximately 110km, is an existing dual carriageway four-lane expressway that forms part of the “Two Verticals and Two Horizontals” National Trunk System between Shanghai to Chengdu in Sichuan. The Expressway, originating from Gaohe Town, Huaining County, Anhui Province, links up with the Hening Expressway, operated by the Company, through Heife-Anqing Highway and terminates at the border between Hunan and Anhui at Jiezidun, Susong County, Anhui Province. It further runs westward to link up with cities like Wuhan, Chongqing and Chengdu and is an important trunk road that links up the central and western region with the south-eastern coastal region.

Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section)

The Xuanzhou to Guangde Expressway is an existing dual carriageway four-lane expressway located in the south-eastern part of Anhui Province with total mileage of 84km constructed in two phases. Xuanzhou-guangde section, which is about 67km long, was opened to traffic in September 1997. Xuanzhou south ring road is a 17km long expressway, which links Xuanguang Expressway near Shuangqiao, Xuanzhou, and was opened to traffic in July 2001 and merged into the Company in August 2003. This expressway starts from Xuanzhou in Anhui Province and ends near Jiepai, Guangde in Anhui Province and forms part of the National Trunk 318 extending from Shanghai to Nielamu in Tibet. National Trunk 318 is a key transport artery, linking the coastal regions with the inland and the western boarder of the PRC.

Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section)

Lianhuo Expressway Anhui Section is a 54km long dual carriage four-lane expressway, part of the “Two Verticals and Two Horizontals” National Trunk between Lianyungang and Huoerguosi in Anhui Province. Connecting with the highways located in Henan and Jiangsu Province and the expressways between Beijing and Fuzhou, it plays an important role in China’s politics, economy, military affairs and National Truck Networks.

Ningxuanhang Expressway Tianchang Section

Ningxuanhang Expressway Tianchang Section is a 122km long dual carriage four-lane expressway with asphalt concrete road surface, which starts at the border between Anhui and Jiangsu at Jinshankou, passing through Xuancheng and Ningguo, terminates at the boarder between Anhui and Zhejiang at Qianqiuguan. This expressway forms an important part of the “Four Verticals and Eight Horizontals” of expressway network in Anhui Province, which is the tie communicating Anhui and Zhejiang and linking two big economic regions of Nanjing and Hangzhou. This expressway is planned to construct by three sections, the first is Xuancheng to Ningguo section with total of 44km, the second is Gaochun to Xuancheng section with total of 33km and the third is Ningguo to Qianqiuguan section with total of 45km.

Appendix

II. Vehicles classification and toll rates

Vehicles classification and toll rates for expressways (Ninghuai Expressway Tianchang Section excluded)

Unit: vehicle km

Vehicles type	Passenger vehicles	Toll rates
Type 1	7 seats or below (including 7 seats)	RMB 0.40
Type 2	Between 8 seats and 19 seats	RMB 0.70
Type 3	Between 20 seats and 39 seats	RMB 1.00
Type 4	40 seats or above (including 40 seats)	RMB 1.20

Vehicles Classification and Toll Rates of Ninghuai Expressway Tianchang Section

Vehicles type	Passenger vehicles	Toll rates (RMB/km)	Minimum toll collection
Type 1	7 seats or below (including 7 seats)	0.45	15
Type 2	Between 8 seats and 19 seats	0.675	15
Type 3	Between 20 seats and 39 seats	0.90	20
Type 4	40 seats or above (including 40 seats)	0.90	20

Toll rates of New Tianchang Section of National Trunk 205

Type of Vehicles	Toll Rates
Motor bicycles and tricycles	RMB3 per vehicle
Small tractors (including manual tractors) and other four-wheeled small and simple mechanical vehicles	RMB5 per vehicle
Passenger wagons below 20 seats	RMB10 per vehicle
Passenger wagons between 20 and 50 seats (including 50 seats)	RMB15 per vehicle
Passenger wagons over 50 seats	RMB25 per vehicle

III. Toll rates applicable to goods vehicles with reference to their weight

Toll rates applicable to goods vehicles with reference to their weight (non-overloaded vehicles)

1. Toll rates applicable to goods vehicles with reference to their weight on expressways (Ninghuai Expressway Tianchang Section excluded)

Gross weight of goods vehicle	< 10 tonnes	10 tonnes < Gross weight of goods vehicle < 40 tonnes	> 40 tonnes
Basic toll rate	RMB0.08/tonnes for every km	RMB0.08/tonnes for every km and will be linearly reduced to RMB0.043/tonnes for every km	RMB0.043/tonnes for every km

- Notes:
1. Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale
 2. If the toll chargeable is less than RMB20, RMB20 shall be charged
 3. The toll charges less than RMB2.5 will be rounded down, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

2. Toll rates applicable to goods vehicles with reference to their weight of Ninghuai Expressway Tianchang Section (Execute from 1 July 2009)

Gross weight of goods vehicle	< 10 tonnes	10 tonnes < Gross weight of goods vehicle < 40 tonnes	> 40 tonnes
Basic toll rate	RMB0.09/tonnes for every km	RMB0.09/tonnes for every km and will be linearly reduced to RMB0.05/tonnes for every km	RMB0.05/tonnes for every km

- Notes:
1. Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale
 2. If the toll chargeable is less than RMB20, RMB20 shall be charged
 3. The toll charges less than RMB2.5 will be rounded down, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

Appendix

3. Toll rates applicable to goods vehicles with reference to their weight of New Tianchang Section of National Trunk 205

Gross weight of goods vehicle	< 10 tonnes	10 tonnes < Gross weight of goods vehicle < 40 tonnes	> 40 tonnes
Basic toll rate	RMB1.5/ton vehicle	RMB1.5/ton vehicle and will be linearly reduced to RMB1.1/ ton vehicle	RMB1.1/ton vehicle

Notes:

1. If the toll chargeable is less than RMB10, RMB10 shall be charged
2. The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

Extra tolls to be imposed on overloaded goods vehicles (Ninghuai Expressway Tianchang Section excluded):

1. Excess is less than 30% (including 30%)	2. Excess is between 30% and 50% (including 50%)	3. Excess is between 50% and 100% (including 100%)	4. Excess is over 100%	If the weight of the vehicle and the cargo is over the loading limit of the total mass and the vehicle's shaft, the higher overloaded rate will be collected.
Toll applicable to normal goods vehicles as per the weight	The first 30% will be subject to a toll applicable to normal goods vehicles as per the weight The remaining balance will be subject to a toll equivalent to 1.5 times of the basic rate.	The remaining balance will be subject to a toll equivalent to 2 times of the basic rate.	The remaining balance will be subject to a toll equivalent to 3 times of the basic rate.	

Extra tolls imposed on overloaded goods vehicles on Ninghuai Expressway Tianchang Section (effective from 24:00 28 February 2009):

1. Overweight within 30% (including 30%), adjusted toll rate is RMB0.09/tonne per Kilometer.
2. Overweight between 30% and 100% (including 100%), adjusted toll rate is between 3 times of RMB0.09/tonne per kilometer and increased linearly to 6 times of RMB0.09/tonne per kilometer.
3. Overweight more than 100%, adjusted toll rate is 6 times of RMB0.09/tonne per kilometer.

The Map of the Highway Network of Anhui Province





Anhui Expressway Company Limited