Sichuan Expressway Company Limited

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

(Stock Code: 00107)

2010 Annual Report

CONTENTS

I. Name of Expressway Projects

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

II. Subsidiaries, Branches and Invested Companies

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

III. Others

the Company	Sichuan Expressway Company Limited
the Group	the Company and its subsidiaries
A Share(s)	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in HK$ and listed on the main board of the Stock Exchange
SCI Group	Sichuan Communication Investment Group Corporation
Sichuan Highway Development	Sichuan Highway Development Holding Company, the controlling shareholder of the Company
Huajian Centre	Huajian Transportation Economic Development Centre, a substantial shareholder of the Company
NCSSF	National Council for Social Security Fund, a shareholder of the Company
PRC	the People's Republic of China
CSRC	China Securities Regulatory Commission
SFC	the Securities and Futures Commission of Hong Kong
SASAC of Sichuan	State-owned Assets Supervision and Administration Commission of Sichuan Province
SASAC	State-owned Assets Supervision and Administration Commission of the State Council
SSE	Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on the Stock Exchange
Year or Reporting Period	the 12 months ended 31 December 2010

CORPORATE INFORMATION

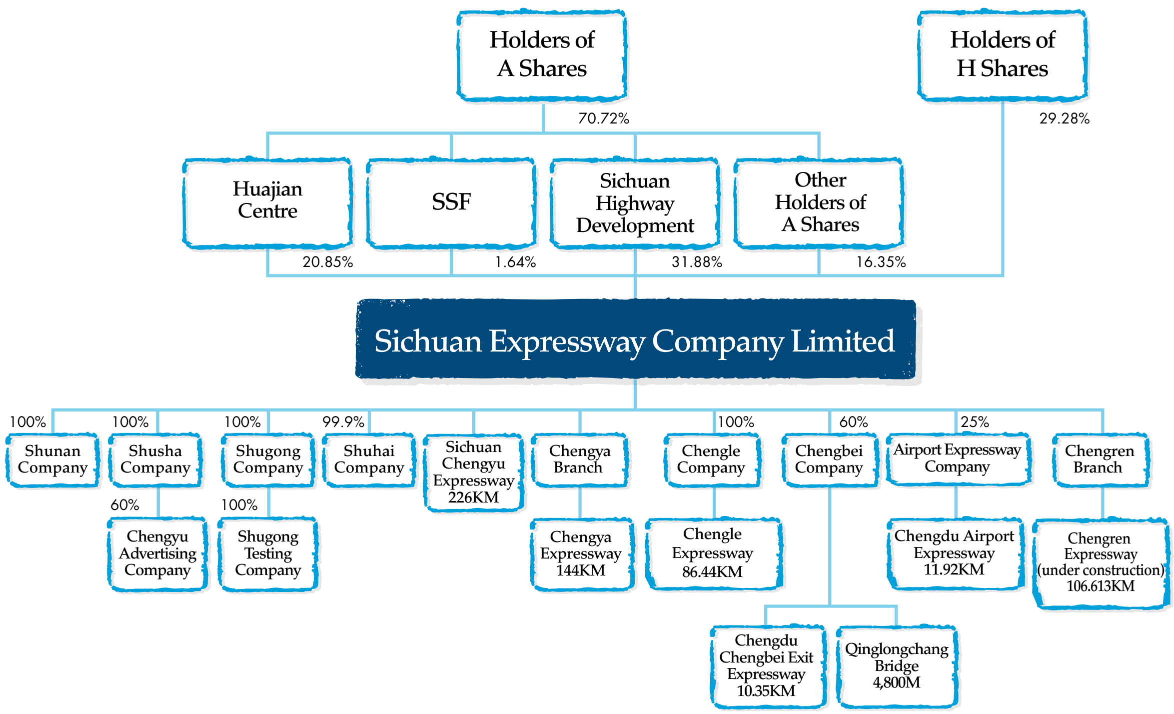
Statutory Chinese and English Names of the Company	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
Legal Representative	Tang Yong
Company Website	http://www.cygs.com
Company's Registered Address & Office Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal Code	610041
Secretary to the Board	Zhang Yongnian
Tel	(86)28-8552 7510
Representative of Securities Affairs	Zhang Hua
Tel	(86) 28-8552 7510
Fax	(86) 28-8553 0753
Investors' Hotline	(86) 28-8552 7510, 8552 7526
E-mail	cygszh@163.com
Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Place of Listing Shares	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express
Newspapers Designated by the Company for Information Disclosure	China Securities Journal, Shanghai Securities News
Designated Publication Websites	http://www.sse.com.cn http://www.hkex.com.hk http://www.cygs.com

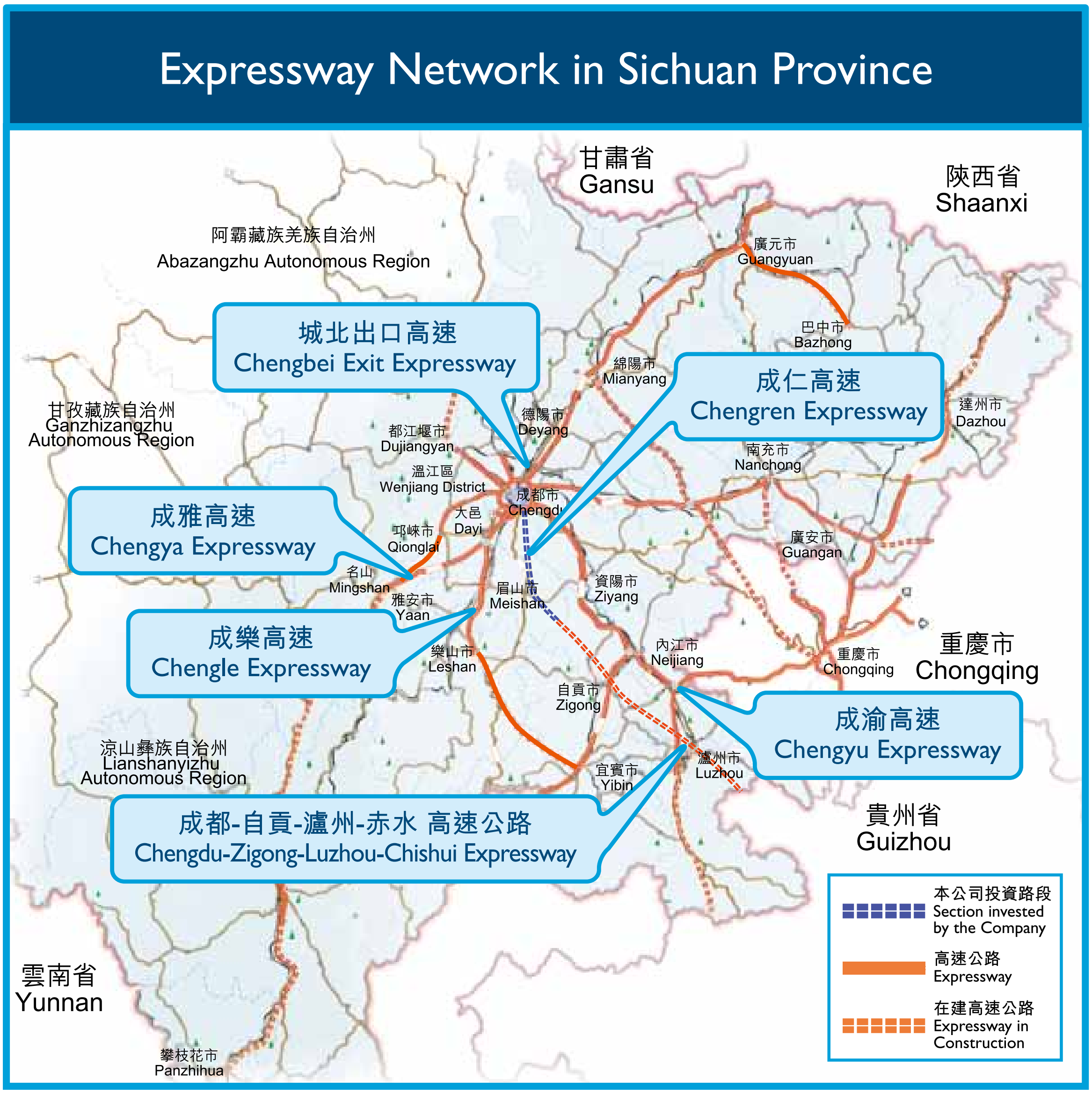
Place for Inspection of the Annual Report	PRC:	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
	Hong Kong:	Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong	
Domestic Auditor	Shinewing Certified Public Accountants 12F, Block A, Air China Century Centre, No. 1 Hangkong Road, Chengdu, Sichuan, the PRC	
Hong Kong Legal Adviser	Messrs. Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong	
PRC Legal Adviser	Zhong Yin Law Firm 16/F, Anlian Plaza, Building 3, Beijing International Center, No. 38 North Road Dongsanhuan Road, Chaoyang District, Beijing, the PRC	
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, No.166 Lujiazui East Road, Pudong, Shanghai, the PRC	
Hong Kong Share Registrar and Transfer Office	Hong Kong Registrars Limited Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong	
Principal Place of Business in Hong Kong	Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong	
Initial Registration Date and Place	19 August 1997/Chengdu, Sichuan Province, the PRC	
Latest Date of Registration Update	22 October 2009	
Registration Number of Business Licence	510000400003856	
Tax Registration Number	Chuan Guo Shui Zhi Zi No. 51010720189926X Chuan Shui Zi No. 519020189926X	
Organization Code	20189926-X	
Principal Banker	China Construction Bank	

The Company was registered with Industry and Commerce Burea of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange on 7 October 1997 (stock code: 00107) and on the SSE (stock code: 601107) on 27 July 2009, respectively.

The Company is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads. Currently, the Company mainly owns all or substantially all interests in a number of toll roads in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengbei Exit Expressway as well as the Chengren Expressway which is under construction. As at 31 December 2010, the length of completed expressways of the Company has reached approximately 467km in total and the length of the expressways under construction amounted to approximately 106km, representing a total asset of approximately RMB11,897,687,000 and a net asset of approximately RMB8,423,997,000.

As at 31 December 2010, the total number of shares of the Company was 3,058,060,000 shares (comprising 895,320,000 H Shares and 2,162,740,000 A Shares). The shareholdings and asset structure of the Company were as follows:





Expressway Network in Sichuan Province
甘肅省
Gansu
陝西省
Shaanxi
阿霸藏族羌族自治州
Abazangzhu Autonomous Region
廣元市
Guangyuan
巴中市
Bazhong
城北出口高速
Chengbei Exit Expressway
綿陽市
Mianyang
成仁高速
Chengren Expressway
達州市
Dazhou
甘孜藏族自治州
Ganzhizangzhu
Autonomous Region
都江堰市
Dujiangyan
德陽市
Deyang
南充市
Nanchong
溫江區
Wenjiang District
成都市
成雅高速
Chengya Expressway
邛崍市
Qionglai
大邑
Dayi
廣安市
Guangan
名山
Mingshan
雅安市
Yaan
眉山市
Meishan
資陽市
Ziyang
成樂高速
Chengle Expressway
樂山市
Leshan
內江市
Neijiang
重慶市
Chongqing
重慶市
Chongqing
自貢市
Zigong
成渝高速
Chengyu Expressway
涼山彝族自治州
Lianshanyizhu
Autonomous Region
宜賓市
Yibin
瀘州市
Luzhou
貴州省
Guizhou
成都-自貢-瀘州-赤水 高速公路
Chengdu-Zigong-Luzhou-Chishui Expressway
雲南省
Yunnan
攀枝花市
Panzhihua
本公司投資路段
Section invested by the Company
高速公路
Expressway
在建高速公路
Expressway in Construction

CHAIRMAN'S STATEMENT

Tang Yong
Chairman

With 2010 coming to an end, the 11th Five-Year Plan also draw a conclusion. Looking back, we have mixed feelings about our undaunted efforts through the hardship, yet we are more gratified at our brilliant achievements made amid the difficulties and changes. We withstood the snowstorm, earthquake and the financial crisis, and actively participated in the construction of western China's integrated transportation hub in Sichuan, making the 11th Five-Year Plan period a time frame that witnessed the best and rapidest development of the Group. In particular, 2010, the last and critical year of the 11th Five-Year Plan period, represents a fruitful year for us, so that we can salute our shareholders and the transportation system of Sichuan with excellent performance .

2010 Annual Results and Dividends

On behalf of the board of directors ("**Board**"), I would like to report our results for the Year to shareholders as follows: during the Year, the revenue of the Group amounted to RMB4,305,422,000, representing an increase of 78.27% as compared with last year, among which net toll income amounted to RMB2,224,500,000, up 18.4% over last year, and revenue from construction contracts amounted to RMB2,010,150,000, up 341% over last year (including the construction revenue of RMB1,620,119,000 from Chengren Expressway BOT Project, which was recognized according to the Hong Kong Financial Reporting Standards, up 353.99% over last year). The profit attributable to the owners of the Company increased significantly to RMB1,145,274,000, representing an increase of 38.41% as compared with last year. The earnings per share was RMB0.3745 (2009: RMB0.2991).

Pursuant to the resolution made by the Board on 23 January 2009, the Board resolved that within three years after the listing of the Company's A shares, no less than 40% of profit distributable for the underlying year realized by the parent company would be paid to the shareholders of the Company as cash dividend (such resolution was considered and approved at the 2008 annual general meeting on 15 April 2009). The Board has recommended a final cash dividend for 2010 of RMB0.087 per share (tax inclusive), aggregating to approximately RMB266,051,000 (tax inclusive) and representing 40.14% of the distributable profit for Shareholders of the Company for the Year.

Review

In 2010, China's economy returned from the special status in coping with financial crisis to its normal growth track and demonstrated a healthy operation trend as a whole, which contributed much to the stability of global financial market and the recovery of global economy. According to preliminary estimates, China's gross domestic product ("**GDP**") amounted to RMB39,798.3 billion in 2010, an increase of 10.3% from last year based on comparable prices, which is 1.1 percentage points higher than that of the previous year. The economy of Sichuan Province also saw steady growth, with GDP of the whole province amounting to RMB1,689.86 billion, an increase of 15.1% from 2009 which is 0.6 percentage point higher than that of 2009, and 4.8 percentage points higher than the country's increase, representing a new high since the reform and opening-up of China.

2010, as the last year of the 11th Five-Year Plan period, has not only witnesses the basic completion of the post-disaster reconstruction of Sichuan's transportation systems, but also a remarkable progress in the accelerated construction of western integrated transportation hub and transportation construction in Sichuan. Investment of the whole province in transportation construction amounted to RMB77.57 billion during the Year, an increase of 40.2% from last year and 25.7 percentage points higher than the national average. In particular, the amount invested in expressways exceeded RMB40 billion for the first time. Expressways with a total length of 441km were built in the whole province during the Year, thereby increasing the total length of expressways opened to traffic in the province to 2,681km as at the end of 2010. 2010 was also a year when the longest length of expressways are completed and open to traffic in the history of the province. At present, expressways under construction in the Province reach 3,212km in length, with a total investment of RMB270 billion. The total length of expressways under construction ranks 1st in China, moving up from 11th three years ago. The total length of expressways completed and under construction amounts to 5,893km which is two times longer than that as at the end of 2007 , ranking 2nd in China, moving up from 12th three years ago.

Following the successful listing of it's A shares on SSE in July 2009, the Company kept optimizing its assets and financial structure, enhancing and improving the operation and management of existing asset and actively pushing forward the development and construction of new projects in 2010, so as to seek better and faster growth in the year.

— On 16 April 2010, in order to facilitate the construction of an integrated transportation hub in western China and the economic development of western China, the People's Government of Sichuan Province established SCI Group, the organizational structure of which consists of SCI Group as the headquarter and Sichuan Highway Development, the Company and Sichuan Port and Channel Development Co., Ltd.(四川省港航開發有限責任公司)as three core subsidiaries. As one of the core subsidiaries of SCI Group, the Company is bound to play an important role in the transportation construction of Sichuan Province, which will also be conducive to the Company's business expansion and sustained profitability enhancement. During the Year, the Group strengthened and improved the operation and management of its existing assets to ensure and enhance its operating performance, and thus successfully recorded a substantial growth in operating results. The Group's total toll income and profit attributable to the owners of the Company significantly increased by 18.42% and 38.41% over last year, respectively.

— During the Year, the construction of Chengren Expressway, a BOT project of the Group, had been progressing smoothly. A total of approximately RMB1,619.76 million was invested during the Year, representing 135% of the target we ensured to achieve for the Year which was RMB1,200 million, 108% of the target we seek to achieve for Year which was RMB1,500 million or 22% of the total investment budget of the project which was RMB7,311.14 million. Since commencement of construction of this project, a total of approximately RMB1,980.03 million had been invested on an accumulative basis, representing 27% of the total investment budget of the project which is RMB7,311.14 million, including a total of RMB813.66 million investment in respect of installation of relevant facilities. The operation of Chengren Expressway is expected to commence around the end of 2012.

— In December 2010 and January 2011, the Company won the bids for the phrase I and phrase II of the road project within Renbao Industry Park, Tianfu New District, Shuangliu County, Chengdu City in the form of build-transfer.The estimated investment amounts are RMB687 million and RMB665 million, respectively. The project commenced construction in January and February 2011 respectively and are expected to complete and become ready for intended uses in May and June 2011 respectively.On 6 January 2011, the Company established its wholly-owned Shunan Company to undertake the construction and transfer of the project. In addition, in March 2011, the Company won Renshou land-linked pilot project and the connection line of Renshou Avenue in the form of build -transfer. With an estimated total investment amount of approximately RMB713million, the project is now under preparation.

— On 17 March 2011, the Company successfully issued short-term commercial papers with a total amount of RMB2 billion with a view to optimize our debt structure and reduce finance costs.

The aforesaid activities and measures laid a solid foundation for the Group in respect of the asset expansion, optimizing investment and financing structure, enhancing financing strength and facilitating a sustainable, healthy and rapid growth.

Prospects and Strategy

Advancing from the unusual "11th Five-Year Plan" era to the more thriving and vigorous "12th Five-Year Plan" era, we well understand there will be difficulties and hopes as well as challenges and opportunities in the future. Therefore, we are poised to seize new opportunities and strive to overcome difficulties, so as to open a new chapter in the development of the Group.

At such a new starting point, we have made objective analysis and judgment on current economic environment and industry development trends and other factors. On one hand, we are well aware that there will be difficulties and challenges, such as the instability and uncertainty over global economic recovery; the latent risks in the Chinese economy arising from imported inflation; and the re-allocation of traffic flow due to road network expansion and the distraction effect imposed by the development of other transportation sectors such as railway and aviation. On the other hand, however, we have a clearer picture of the great opportunities ahead of us. Firstly, despite the volatility in the global economy and political environment, China has already adopted the macro-economic policies with first priority on structural adjustment and inflation control, which put the domestic economy on the track of transformation of development mode and led to a shift of the monetary policy to a prudent stance. As such, China's GDP growth in 2011 may be slightly lower than that in 2010, but will still stay at a relatively high level, which will continue to be the underlying driving force to boost the traffic demand. Secondly, the long-awaited Chengdu-Chongqing (Chengyu) Economic Zone Development Plan(成渝經濟區區域規劃)was finally became a part of the national strategy at the beginning of the 12th Five-Year Plan. On 1 March 2011, the State Council discussed and approved in principle the Chengyu Economic Zone Development Plan, indicating that efforts would be made to substantially enhance the economic strength of this region by 2015, so as to build it into a key economic center in western China and an important national modern industrial base. The Chengyu Economic Zone is likely to become the fourth pole of economic growth in China following Yangtze River Delta, Pearl River Delta and Bohai Economic Rim, and play the role of "engine" in the economic development of western China. This poses higher and more urgent requirements to the transportation hub construction in Sichuan and Chongqing, and also brings good opportunities for accelerating the transportation construction and development in Sichuan. Thirdly, in order to accommodate the new situations and requirements of economic and social development and further enhance and improve the planning and layout of the integrated transportation hub in western China, the government of Sichuan Province issued the Sichuan Expressway Network Plan on 4 January 2011, which made further adjustments to the Sichuan Expressway Network Plan (2008-2030) issued by the Department of Communication of Sichuan Province in March 2009 by increasing the total planned length of expressways in the province from 8600km to approximately 12,000km (excluding lines under planning for study) and adding eight north-south and seven east-west lines, ten link lines and 10 exit channels for traveling out of Sichuan. The estimated total investment amounts to approximately RMB900 billion. Among all the approved provincial (municipal and regional) expressway network plans in the country, the planned length of expressways in Sichuan ranks first. With the improvement and gradual implementation of Sichuan Expressway Network Plan, we will see a western-China transportation hub connecting to all directions and with access to Yangtze River and the sea taking its shape in Sichuan Province, making a strong support for building Sichuan into an economic highland in western China. Last, most of the expressways owned by the Group are national trunk roads of supreme quality and strong resistance to risks. Accordingly, we will firmly seize the historical opportunities of leapfrog development in the transportation of Sichuan during the 12th Five-Year Plan period and strive to implement our development plan which is to make the best of the supporting policies of both the central and local governments, grasp the strategic opportunities brought about by China's development campaign of the western regions and the construction of Chengyu Economic Zone and leverage on the capital market platform, so as to build the Company into one of the most important public expressway operators in the central and western regions and even the whole country.

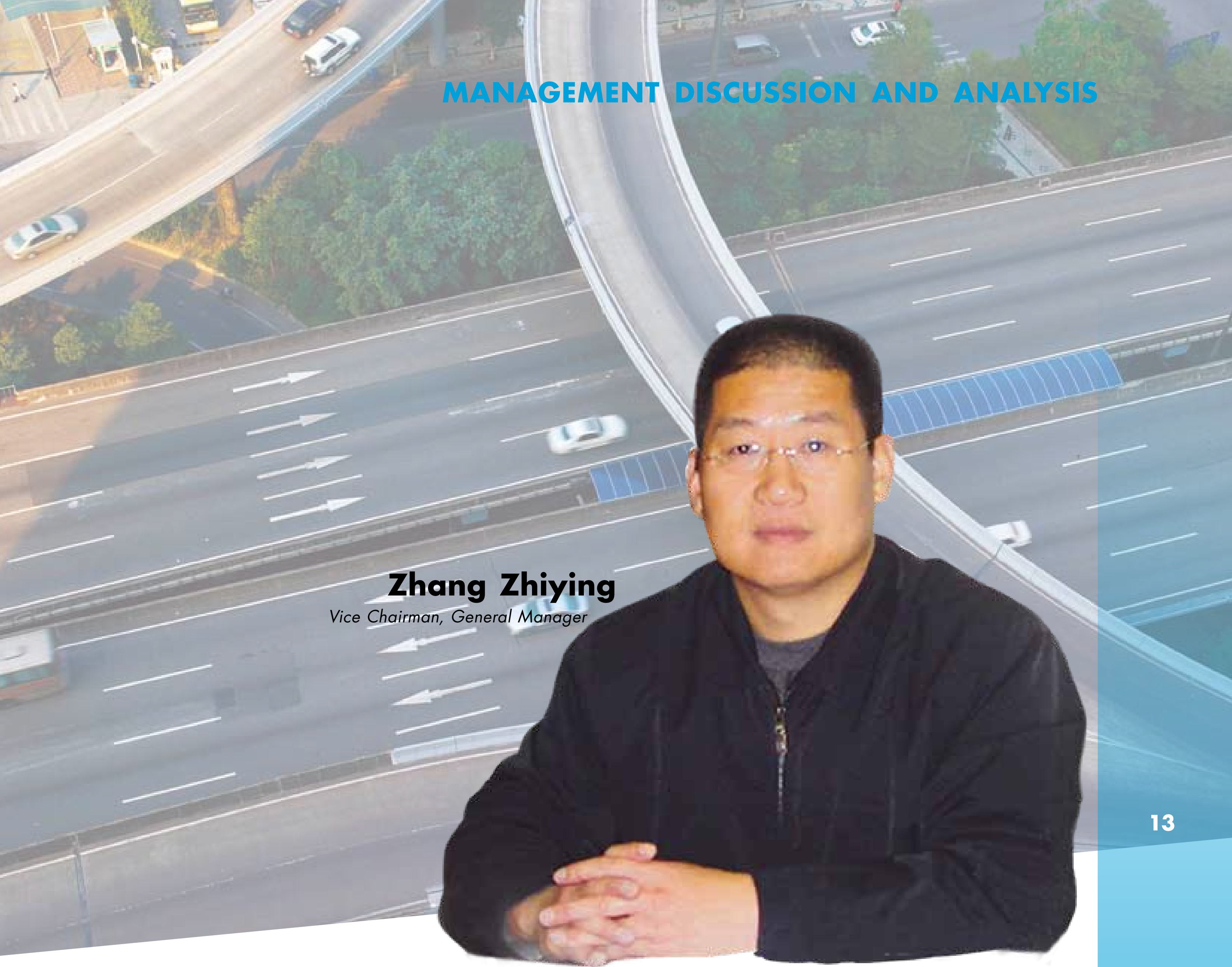
In line with this development strategy, the leaders of the Company have decided to adjust and innovate development philosophy to enhance and expand business development potential and asset scale by adopting the "**one main-body and two wings**" development approach. That is to complement our principal business (operation of expressway) with two additional business (the construction of and investment in road infrastructure; and the development of expressway-related business).We are to follow these new development philosophy and approach, actively participate in the booming transportation construction in Sichuan and promote the balanced and sustainable growth in the region in accordance with the laws of market economy, thus creating value for our shareholders and the society.

Acknowledgements

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

Tang Yong
Chairman

Chengdu, Sichuan, the PRC
22 March 2011



Zhang Zhiying

Vice Chairman, General Manager

I. Analysis of Business Environment

Economic development is a key factor to the growth of traffic demand. In 2010, China's economy came out of the negative impact of the global economic crisis and returned to normal growth track. Sichuan's economy witnessed a better growth trends, with preliminarily calculated GDP of the whole province amounting to RMB1,689.86 billion, an increase of 15.1% from 2009, and representing 0.6 percentage higher than that of 2009 and 4.8 percentage points higher than the country's increase. Total retail sales of social consumer products of the whole province amounted to RMB663.47 billion, representing an increase of 18.7% over last year, of which car consumption increased by 22.2% to RMB62.25 billion, driving the total retail sales of social consumer products up by 2.0 percentage points.

II. Business Review and Analysis

(I) Results overview

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

During the Year, the revenue of the Group amounted to RMB4,305,422,000 (2009: RMB2,415,175,000), representing an increase of 78.27% as compared with last year, among which net toll income amounted to RMB2,224,500,000, up 18.4% over last year, and construction revenue amounted to RMB2,010,150,000, up 341% over last year (including the construction revenue of RMB1,620,119,000 from Chengren Expressway BOT Project, which was recognized according to the Hong Kong Financial Reporting Standards, up 353.99% over last year). The profit attributable to the owners of the Company was RMB1,145,274,000 (2009: RMB827,475,000), representing an increase of 38.41% over last year. The basic earnings per share were RMB0.3745 (2009: RMB0.2991).

As at 31 December 2010, the Group's total assets and the net assets attributable to the owners of the Company were approximately RMB11,897,687,000 and RMB8,423,997,000 respectively.

(II) Operating conditions of the Group's principal operations

Operating results of the Company and its major branch and subsidiaries:

Item	Toll income for 2010 *(RMB'000)*	Percentage in the total toll income *(%)*	Toll income for 2009 *(RMB'000)*	Percentage in the total toll income *(%)*	Profit for 2010 *(RMB'000)*	Year-on-year increase in profit for 2010 *(%)*
The Company *(Note 1)*	**1,139,230**	**49.62**	960,431	49.54	**657,819**	**34.90**
Chengya Branch *(Note 2)*	**645,119**	**28.10**	550,735	28.41	**288,985**	**39.25**
Chengle Company *(Note 3)*	**419,133**	**18.25**	340,665	17.57	**181,954**	**56.42**
Chengbei Company *(Note 4)*	**92,449**	**4.03**	86,951	4.48	**26,992**	**11.97**
Total	**2,295,931**	**100**	1,938,782	100	**1,155,750**	**38.31**

Notes:

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

2. Chengya Branch is a branch company of the Company which is responsible for the operation and management of Chengya Expressway. Its profit for the year includes its share of profit or loss of its associates companies;

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

4. Chengbei Company is a subsidiary of the Company which is responsible for the operation and management of Chengbei Exit Expressway and Qinglongchang Bridge. The toll income of Chengbei Company was the aggregate amount of the toll incomes of Qinglongchang Bridge and Chengbei Exit Expressway. Its profit for the year includes its share of profit and loss of its associate companies.

Operation of major expressways of the Group:

Item	Shareholding percentage	Converted average daily traffic flow (vehicles/times) 2010	2009	Increase (%)	Toll income (RMB'000) 2010	2009	Increase (%)
Chengyu Expressway	100%	**20,972**	19,035	10.18	**1,139,230**	960,431	18.62
Chengya Expressway	100%	**16,079**	14,455	11.23	**645,119**	550,735	17.14
Chengle Expressway	100%	**25,095**	20,525	22.27	**419,133**	340,665	23.03
Chengbei Exit Expressway (including Qinglongchang Bridge)	60%	**33,493**	29,968	11.76	**92,449**	86,951	6.32

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

— In 2010, as the government continued to carry out large-scale development strategy of the western region and rendered full support for Sichuan post-disaster reconstruction, the economy of Sichuan witnessed a good start in the first quarter, a steady recovery and accelerated growth trend in the second quarter and a stable and rapid development in the second half of the year, which in turn boosted the strong growth in operating results of the Group's expressway business;

— The upgrade of consumption structure continued to spur the citizen's demand for vehicles. Full-year sales of vehicles in 2010 in China amounted to 18,060,000, up 32.37% year-on-year; and the output stood at 18,264,700, up 32.44% year-on-year. Both sales and output hit record highs and ranked top around the globe for the second consecutive year. Meanwhile, boosted by consumption-encouraging policies such as purchase tax incentives, trade-in deals, subsidies to encourage sales of autos in rural areas and subsidies for energy-saving products, vehicle consumption in Sichuan saw big growth in 2010, with retail sales reaching RMB62.25 billion, a further 22.2% year-on-year increase after the 42% rise in 2009, pushing the total retail sales of social consumer goods up by 2.0 percentage points. The regional surging demand for vehicles has presented the Group with an operating advantage and further growth potential;

— In 2010, post-disaster reconstruction projects were fully rolled out in the province, boosting the demands for Sichuan highway transportation. As the trunk highways in Sichuan, the Group's expressways played a key role in the post-disaster reconstruction of Sichuan, which facilitated the operation of expressway business of the Group;

— Thanks to the rapid growth of Sichuan's economy and the successful completion of post-disaster reconstruction within two years ahead of the three-year schedule, tourism, which has achieved a robust recovery, contributed a total of RMB188.609 billion revenue to Sichuan in 2010, up 28.1% year-on-year and representing 11.2% of its GDP, thus effectively driving the growth of traffic volume;

— Sichuan implemented a toll-by-weight policy for trucks travelling on expressways since 1 June 2007. During the trial period (ended on 30 September 2010), normally loaded vehicles were given a 20% toll discount. Currently, the trial period has expired, but the toll discount preferential policy is still being implemented in the province because no official reply regarding such issue has been received from relevant governmental authority;

— In 2010, vehicles participating in the Qinghai Yushu earthquake rescue were allowed to travel toll-free on highways in our province, which, coupled with the decrease in truck traffic volume due to oil shortage as a result of the tight diesel supply since November 2010, brought some negative impact on the Group's toll income from expressways;

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

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

Chengyu Expressway: Traffic volumes for Chengyu Expressway is expected to be affected by traffic diversions from Leyi (Leshan-Yibin) Expressway which was completed and opened to traffic on 26 December 2010, a new route from Chengdu to Yinbin via Chengle and Leyi Expressways in addition to the existing route via Chengyu and Neiyi (Neijiang-Yibin) Expressways.

Chengya Expressway: On 9 November 2010, Qiongming (Qionglai City-Mingshan County of Ya'an City) Expressway, with its beginning and ending connected to Chengwenqiong (Chengdu City-Wenjiang District- Qionglai City) Expressway and Chengya Expressway respectively, was completed and opened to traffic to become the second fast route from Chengdu to Ya'an, and hence became a competitor of Chengya Expressway. However, considering that the technical standards (the 40-kilometer section from Chengdu to Qinglongchang is two-way with six lanes) of Chengya Expressway such as conditions for road passage, designed driving speed are higher than Chengming Expressway (the collective name for Chengwenqiong Expressway and Qiongming Expressway); the entrance of Chengya Expressway is accessible via a two-way 6-lane viaduct (approximately 6 kilometres in length), which is more convenient than the entrance and exit of Chengming Expressway; the total distance from Chengdu loop expressway via Chengya Expressway to Qiongming Expressway is 105 kilometers, 3 kilometers shorter than the travelling distance of Chengming Expressway; and a tourism loop route formed in fact by Chengming Expressway and Chengya Expressway will further stimulate the development of tourism in western Sichuan, which will in turn increase the traffic volume brought by tourism buses for Chengya Expressway as a whole, it is therefore expected that the opening of Qiongming Expressway will not have significant impact on Chengya Expressway in terms of traffic flow diversion.

Chengle Expressway: Due to factors such as aggravation of road surface damage, deterioration of passage conditions, the Meishan section (Qinglong to Meishan, Meishan to Simeng, Jiajiang to E'mei, Meishan to Pengshan) of the old road was partially closed during the year with the road surface and bridges undergoing repair and renovation work. As such, some of its traffic flow was diverted to Chengle Expressway. In addition, Leyi Expressway which was completed and opened to traffic on 26 December 2010, became the extended line of Chengle Expressway, and in turn brought more traffic flow to Chengle Expressway.

Chengbei Exit Expressway: from 18 October 2009 to the end of 2010, the Dajian section of Chuanshan Highway underwent reconstruction work with an aim for expansion and the highway was partially closed, which led to increased traffic flow for Chengbei Exit Expressway. Toll station at ramp of No. 3 Ring Road of Chengbei Exit Expressway has stopped toll collection since 5 February 2010. After closure of the station, Chengdu Municipal Committee of Transportation will, starting from 2010, pay toll compensation to Chengbei Company calculated on the basis of RMB1,800,000 and a growth rate of 8% per year. Considering factors such as comprehensive income and cost reduction arising from closure of the station, closure of toll station at ramp of No. 3 Ring Road will not have significant impact on the operation of Chengbei Company. Chengmian (Chengdu-Mianyang) Expressway, an extension line of Chengbei Exit Expressway, commenced overall road repair and maintenance from April to December 2010, which diverted traffic flow from Chengbei Exit Expressway.

(III) Other Businesses

In 2010, the Group recorded RMB2,080,922,000 of other income (other than those from operation of toll roads), representing an increase of 287.97% over the previous year. During the year, other business of the Company was mainly attributable to three subsidiaries of the Company (namely Shusha Company, Shugong Company and Shuhai Company), and Chengren Branch. The operating results of them during the year were set out as follows:

During the year, Shusha Company's revenue from operations was approximately RMB14,346,870, and the profit was approximately RMB2,628,070, representing an increase of 9.78% and 15.09% respectively as compared to last year. Shugong Company's revenue from operations was approximately RMB559,284,910, and the profit was approximately RMB21,716,520, representing an increase of 95.80% and 194.99% respectively as compared to last year. Shugong Company's business developed rapidly in recent years. On 11 June 2010, Shugong Company established its wholly-owned Sichuan Shugong Road Construction Engineering Testing Company Limited (四川蜀工公路工程試驗檢測有限公司) to enhance its testing business in road, bridge and channel engineering. The testing company obtained Grade-B qualification issued by both the Quality Inspection Station of Department of Transportation (交通廳質檢站) and Technical Supervision Bureau of Sichuan Province (四川省技術監督局). In addition, Shugong Company vigorously developed its road construction business. At present, it actively proceeds with the upgrade of its road construction contractor qualification, the application for which has obtained approval from the Department of Housing and Urban-Rural Development of Shichuan Province (四川省住房與城鄉建設廳) and Department of Transportation of Shichuan Province (四川省交通運輸廳) and has been submitted to relevant ministries or commissions of the country for approval. Shuhai Company, as an investment management company focusing on investment in infrastructure projects, is currently concentrating on the investigation, study, argumentation and project planning in respect of quality road projects as well as investment opportunities in related or other industries within Sichuan Province. As at the end of the Reporting Period, there was no material investments made by Shuhai Company. Chengren Branch recorded a contractual revenue of RMB1,620,119,000 from construction of Chengren Expressway (Chengdu-Meishan (Renshou) Section of Chengdu-Zigong-Luzhou-Chishui Expressway), representing an increase of 354% over last year (2009: RMB356,858,000).

(IV) Project Investment and Financing

1. Investments

– Investment in and construction of Chengren Expressway

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

The total length of Chengren Expressway is approximately 106.613km, commencing from Chengdu Ring Expressway (K34+600) and ending at Zhichanggou at the boundary of Renshou County, Meishan and Weiyuan County, Neijiang.The operation of Chengren Expressway is expected to commence around the end of 2012. The operation period for Chengren Expressway will last for 29 years and 300 days from the first day when Chengren Expressway commences to charge toll fees. As at the end of the Reporting Period, the construction of the project had been progressing smoothly. A total of RMB1,619.76 million was invested during the year, representing 135% of the target we ensure to achieve for the year which is RMB1,200 million, 108% of the target we seek to achieve for year which is RMB1,500 million or 22% of the total investment budget of the project which is RMB7,311.14 million. Since commencement of construction of this project, a total of RMB1,980.03 million had been invested on an accumulative basis, representing 27% of the total investment budget of the project which is RMB7,311.14 million, including a total of RMB813.66 million investment in respect of installation of relevant facilities.

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

– **Investment in and construction of Renbao BT Project in Shuangliu County**

At the Board meetings held on 24 November 2010 and 28 January 2011, the Company considered and approved relevant work and arrangement regarding contract signing, preparation, construction and transfer of phrase I and phrase II of the investment in and construction of road project within Renbao Industry Park, Tianfu New District, Shuangliu County, Chengdu City in the form of build-transfer. The two phrases include 4 roads with a total length of 12.1 km (Industry Park Avenue, Cargo Transportation Avenue, West 2nd section of Zhenggong road and Zongbao Road) , roads with a total length of 15.96 km comprising Industry Park Avenue east section, Wulian Avenue, Warehouse Road, Zongbaoheng Road, Patrol Road and Zhongbao section of Shuanghuang Road) as well as electricity shallow groove which is a part of infrastructure construction in Renbao park. The estimated investment amounts for them are approximately RMB687 million and RMB665 million, respectively. The project commenced construction in January and February 2011 respectively and are expected to complete and become ready for intended uses in May and June 2011 respectively. On 6 January 2011, the Company established its wholly-owned Sichuan Shunan Investment Management Company Limited as the project company to develop and construct the project.

The project, marking the first time for the Company to invest and construct transportation infrastructure projects in the form of BT, not only expanded and enriched the Company's business development approach and experience, but also created a new profit driver, which in turn will further increase the Group's overall profitability.

– **Proposed investment in Renshou land-linked pilot project and the connection line of Renshou Avenue in the form of build-transfer**

At the 34th meeting of the fourth session of the Board of the Company on 28 January 2011, the proposal regarding proposed investment in Renshou land-linked pilot project in Renshou county, Meishan City and the connection line of Renshou Avenue in the form of build -transfer was approved. The Renshou land-linked pilot project is located in Gaotan village, Wenlin town (where the county government is located), Renshou county which involves a land area of 4,848 Mu. The investment specifically includes relocation of farmer's house, "San Tong Yi Ping" project (generally referred to as clearance of the site and resettlement, connecting temporary water and electricity supply to the site and road connection to the site) as well as construction of ancillary facilities and roads at the resettlement site, preparation and reclamation of farmer's house site and construction of resettlement house. Renshou road connecting line project, commencing from Renshou Avenue which is under construction and ending at Renshou interchange toll plaza of Chengren Expressway, has a total length of 4,693 meters covering a land area of 823 Mu and is designed in accordance with municipal road standard. The total investment amount for this project is estimated to be approximately RMB713million. The Company plans to finance the investment and construction of the project from its self-owned funds and a multiple other financing channels such as funds raised by the issued non-financial corporate bonds, bank loans and loans (trust) from non-financial institutions.

– **Proposed acquisition of the Sichuan section of Suiyu Expressway and Chengnan Expressway**

On 20 March 2008 and 9 May 2008, the Company entered into the "Intentional agreement regarding an asset acquisition of Sichuan section of Suiyu Expressway and related matters" and the "Intentional agreement regarding an asset acquisition of Chengnan Expressway", both of which are non-legally binding, with Sichuan Chengnan Expressway Company Limited (四川成南高速公路有限責任公司) ("**Chengnan Company**"), the owners of Sichuan Section of Suiyu Expressway and Chengnan Expressway, and Sichuan Highway Development , the controlling shareholder of Chengnan Company, respectively. The Company has completed the selection of intermediaries in relation to this proposed acquisition, and Chengnan Company has completed most of its pre-acquisition work (such as sorting out its assets). However, the proposed acquisition has been postponed due to the pending land disposals of Chengnan Company.

In order to facilitate the construction of an integrated transportation hub in western China and the economic development of western China, Sichuan provincial government established Transport Investment Group on 16 April 2010. According to such SCI Group organization plan, all the Company's shares held by Sichuan Highway Development shall be transferred to Transport Investment Group at nil consideration. As such, the controlling shareholder of the Company will change to Transport Investment Group. At present, the said share transfer is still underway and change of controlling shareholder has not been completed, which, to some extent, also impeded the proposed asset acquisition.

2. Financing activities of the Company

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

At the general meeting of the Company on 28 August 2007, resolutions were passed to approve the proposed issue of short-term commercial papers with a total amount not exceeding RMB2 billion per annum for a term of three years. The Company successfully issued short-term commercial papers with a total amount of RMB1.5 billion on 19 February 2008, which were fully repaid by the Company on 19 February 2009. On 27 November 2009, the Company further issued short-term commercial papers with a total amount of RMB2 billion, which were fully repaid by the Company in 29 November 2010.

At the extraordinary general meeting of the Company held on 16 November 2010, it was approved that, for a period of three years commencing from the date of the meeting, the Company will register the debt financing instruments in a principal amount not more than 40% of the latest audited consolidated net asset value (including non-controlling interests) of the Company and its subsidiaries in one or several tranches in the PRC, which will be issued within the effective period of the registration; and the RMB2 billion short-term commercial papers registered with the National Association of Financial Market Institutional Investors*（中國銀行間市場交易商協會）on 10 November 2009 will continue its issuance within its effective registration period.

– **Medium-long term syndicated loan**

In March 2010, the Company and 9 banks including China CITIC Bank Corporation Limited Chendu Branch entered into a medium-long term syndicated loan contract with a total amount not exceeding RMB4.89 billion for a term of 20 years (from 12 March 2010 to 11 March 2030). The proceeds from the loan will be used for the construction of Chengren Expressway (For details, please refer to the announcement of the Company dated 12 March 2010). As at 31 December 2010, drawdown of loan made by the Company was RMB1,114 million.

(V) Continuing Connected Transactions

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

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

III. Financial Review and Analysis

Summary of the Group's Results

	2010	2009
	RMB'000	*RMB'000*
		(Restated)
Revenue	**4,305,422**	2,415,175
Including: toll income	**2,224,500**	1,878,814
Construction revenue in respect of service concession arrangements	**2,010,150**	455,819
Profit before tax	**1,366,236**	986,046
Profit attributable to owners of the Company	**1,145,274**	827,475
Earnings per share attributable to owners of the Company *(RMB)*	**0.375**	0.299

Summary of the Group's Assets

	At 31 December 2010	At 31 December 2009
	RMB'000	*RMB'000*
Total assets	**11,897,687**	10,605,777
Total liabilities	**3,473,690**	3,160,087
Non-controlling interests	**104,362**	103,573
Equity attributable to owners of the Company	**8,319,635**	7,342,117
Equity per share attributable to owners of the Company *(RMB)*	**2.721**	2.401

Analysis of Operating Results

Revenue

The Group's revenue for the Year amounted to RMB4,305,422,000 (2009:RMB2,415,175,000), representing an increase of 78.27% over last year, of which:

(1) The net toll income was RMB2,224,500,000 (2009: RMB1,878,814,000), representing an increase of 18.40% over last year, which included toll incomes of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway. Please refer to the section headed "Business Review and Analysis" on page 14 of this report for details of the main factors influencing the toll income of the Group for the period.

(2) Construction revenue in respect of service concession arrangements was RMB2,010,150,000 (2009: RMB455,819,000), representing an increase of 341% over last year. This was mainly attributable to RMB1,620,119,000 of construction income (2009: RMB356,858,000) from the construction project of Chengren Expressway and RMB390,031,000 of construction income (2009: RMB98,961,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway in the period, which were recognized under the percentage-of-completion method.

Other Income and Gains

The Group's other income and gains for the Year were RMB51,062,000, representing a decreased of 13.98% over last year. This was mainly because there was a waiver of service fee of RMB8,958,000 for the year ended 31 December 2008 made by Sichuan Zhineng in favor of the Group in 2009 while there was no such gain in this year.

Operating Expenses

The Group's operating expenses for the Year amounted to RMB2,908,006,000 (2009:RMB1,353,044,000), representing a year-on-year increase of 114.92%, of which:

(1) Construction costs in respect of service concession arrangements was RMB1,971,958,000, representing an increase of RMB1,522,338,000 or 338.58% from RMB449,620,000 in 2009. This was mainly attributable to RMB1,620,119,000 of construction costs (2009: RMB356,858,000) from the construction project of Chengren Expressway and RMB351,839,000 of construction costs (2009: RMB92,762,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway in the period, which were recognized under the percentage-of-completion method.

(2) Depreciation and amortization expenses decreased by 7.86% from RMB357,394,000 in the previous year to RMB329,318,000, mainly attributable to the increase in service concession arrangements last year which led to an increase in amortization and a higher traffic flow which led to an increase in amortization for service concession arrangements as compared with last year; and a decrease in deprecation of fixed assets for the period as a result of certain fixed assets being fully depreciated in accordance with relevant policies.

(3) Staff cost increased by 19% from RMB193,782,000 in the previous year to RMB230,607,000. This was principally due to certain increase in total salary, various social insurances and accommodation fund paid in the period given the increase in average salary for the working population of Chengdu.

(4) Cost of repairs and maintenance increased by 20.20% from RMB162,315,000 in the previous year to RMB195,098,000, which was daily maintenance costs of the Group's roads and auxiliary facilities.

Finance Costs

The Group's finance costs for the Year amounted to RMB94,952,000, representing a decrease of 35.35% as compared with last year, principally attributable to decrease in interests expense as a result of the repayment of RMB1,000,000,000 of bank loans by Chengle Company on 31 July 2009 and the repayment of RMB222,727,000 of long term loans by the Company and Chengle Company from internal funds in the period as well as the decrease in interest payable as a result of the issue of RMB2 billion short-term commercial papers on 27 November 2009 at an annual interest rate of 3.49% which was lower than the interest rates of previously issued short-term commercial papers and bank loans.

Taxation

The corporate income tax of the Group for the Year amounted to RMB210,131,000, representing an increase of approximately 41.53% as compared with 2009. This was mainly due to the growth in the Group's gross profit before tax for the Year.

Profit

The Group's profit for the Year amounted to RMB1,156,105,000, representing an increase of 38.03% as compared with RMB837,571,000 in the previous year. In particular, profit attributable to owners of the Company was RMB1,145,274,000, representing an increase of 38.41% as compared with last year. This was mainly due to:

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

(2) such growth being partially offset by the increase in amortization for service concession arrangements, income tax and other operating expenses.

Analysis of Financial Position

Non-current Assets

As at 31 December 2010, the Group's non-current assets amounted to RMB10,523,318,000, representing an increase of 20.49% as compared with the end of 2009. The increase was mainly due to:

Fixed assets' addition of RMB76,727,000 for the Year; an increase of RMB1,984,965,000 in service concession arrangements (including RMB364,846,000 for technological renovation projects of Chengyu Expressway , Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway and RMB1,620,119,000 for construction project of Chengren Expressway); and a total of RMB329,318,000 of depreciation and amortization for intangible assets.

Current Assets and Current Liabilities

As at 31 December 2010, the Group's current assets amounted to RMB1,374,369,000, representing a increase of 26.58% as compared with the end of 2009, which was mainly attributable to the construction expenses for Chengren Expressway, technological renovation project of Chengyu Expressway, Chengya Expressway and Chengle Expressway and Chengbei Exit Expressway, and repayment of loans and short-term commercial papers and distribution of dividends, leading to a decrease of RMB522,043,000 in cash and cash equivalents.

As at 31 December 2010, the Group's current liabilities amounted to RMB2,079,461,000, representing a decrease of 21.86% as compared with the end of 2009, mainly attributable to the repayment of RMB2,000,000,000 for short-term commercial papers and the additional current borrowings of RMB 1,200,000,000.

Non-current Liabilities

As at 31 December 2010, non-current liabilities of the Group amounted to RMB1,394,229,000, representing an increase of 179.38% as compared to the end of 2009, which was principally attributable to repayment of bank loan of RMB200,000,000 by Chengle Company, an increase of RMB1,114,110,000 in bank loans for construction project of Chengren Expressway and the reclassification of the portion of long-term interest-bearing loans due within one year into bank and other interest-bearing loans due within one year at the end of the period.

Equity

As at 31 December 2010, equity of the Group amounted to RMB8,423,997,000, representing an increase of 13.14% as compared with the end of 2009, mainly attributable to: (1) the net profit of RMB1,156,105,000 recorded for the Year and the gain from recognition of the 17.05 million shares of China Everbright Bank held by the Group as available-for-sale financial assets at fair value, which increased the equity; (2) the distribution of profit of RMB266,051,000 to shareholders in the Year, which decreased the equity.

Capital Structure

As at 31 December 2010, the Group had total assets of RMB11,897,687,000 and total liabilities of RMB3,473,690,000. The gearing ratio was 29.20% (2009: 29.80%), which was calculated as the Group's total liabilities to its total assets.

Cash Flow

As at 31 December 2010, the Group's cash and bank balances amounted to RMB1,283,719,000, including HK$34,000 (equivalent to RMB29,000) deposits in Hong Kong dollars, and RMB1,283,690,000 cash and deposits in Renminbi, representing a decrease of RMB522,043,000 over the end of 2009 (31 December 2009: RMB1,805,762,000). During the Year, the Group's net cash inflow from operating activities amounted to RMB246,899,000 (2009: RMB771,563,000).

During the Year, the cash outflow of the Group mainly consisted of: expenditures of RMB719,941,000 in cash for daily operation and management, RMB246,393,000 for taxes, RMB314,300,000 for additional fixed assets and technical renovation projects of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway, RMB1,437,622,000 (including interest paid of RMB20,488,000) for construction of Chengren Expressway, RMB119,426,000 for interest payment (excluding the RMB20,488,000 of interest paid for Chengren Expressway), RMB205,768,000 for dividends payment (including dividends for minority shareholders and exchange gain or loss), repayment of long-term loans of RMB222,727,000 and repayment of RMB2,000,000,000 for short-term commercial papers by the Company and Chengle Company (RMB1,200,000,000 of additional current borrowings).

Capital Commitment

Details of the Group's capital commitment as at 31 December 2010 are set out in the note 30 to the financial statements.

Risk of Exchange Fluctuation

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

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

Borrowings and Solvency

As at 31 December 2010, the Group's interest-bearing bank and other loans amounted to RMB2,675,146,000, all of which were loans with fixed interests. In particular, the balance of bank loans was RMB2,586,510,000, with annual interests rate from 4.86% to 5. 35%; other loans amounted to RMB88,636,000, with annual interests rate from 2.82% to 5.00%. The relevant balances are as follows:

	Maturity profile of interest-bearing borrowings			
	Total amount	**Within 1 year**	**From 1 year to 5 years**	**Over 5 years**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
Loans from domestic commercial banks	2,586,510	1,275,000	789,750	521,760
Other loans	88,636	22,727	65,909	
Total (31 December 2010)	**2,675,146**	**1,297,727**	**855,659**	**521,760**
Total (31 December 2009)	2,597,363	2,098,327	188,091	310,945

With its steady cash flow, sound capital structure and excellent credit records, the Group has established and maintained favorable credit relations with financial institutions, enjoying most preferential interest rates for its loans. The Group has acquired bank facilities of RMB1,500 million form China CITIC Bank, RMB1,050 million from Industrial and Commercial Bank of China, RMB600 million from Bank of China, RMB500 million from Shanghai Pudong Development Bank and RMB300 million from Hua Xia bank available for use within one year (RMB2,550 million) or two years (RMB1,400 million). As at 31 December 2010, RMB1,000 million of the aforesaid bank facilities had been used. In addition, during the Reporting PeriodYear, China CITIC Bank as leader and other 8 banks formed a bank consortium, which signed loan contract with the Group for loan of RMB4,890 million. Such loan is specially used for Chengren Expressway project. As at 31 December 2010, RMB1,114 million had been drawn down.

Contingent Liabilities and Pledge of Assets

As at 31 December 2010, the concession rights pertaining to Chengbei Exit Expressway and Chengle Expressway with the net value of RMB181,706,000 and RMB1,212,637,000, respectively (2009: RMB184,788,000 and RMB1,122,452,000, respectively), were pledged to secure bank loans amounting to RMB166,600,000 and RMB106,400,000, respectively (2009: RMB179,600,000 and RMB306,400,000, respectively).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2010.

Comparative Figures

In previous years, analysis on various expenses of the Group was presented in consolidated income statement by nature. On 27 July 2009, the Company's A Shares were successfully listed on Shanghai Stock Exchange. With reference to the disclosure requirements of Shanghai Stock Exchange and in line with the general market practice, the directors of the Company carefully reviewed the disclosure of consolidated income statements for previous years, and confirmed that presentation of analysis on expenses by functions would increase efficiency of financial statement preparation. As such, the 2009 consolidated statement of comprehensive income was restated and comparative figures were also reclassified to be consistent with the current presentation.

Save for the above, certain comparative figures in the financial statements have been amended to conform to the current presentation. The aforesaid restatement affected only the disclosure of financial information classification, and had no financial impact on the Group's earnings and earnings per share for the period. Details are set out in note 2.3 to the financial information.

IV. Business Development Plan

2011 started as the first year of "12th Five-Year Plan". In such a new era, we anticipate that as the State continues to proceed with western China development scheme, the Sichuan-Chongqing Economic Zone Regional Plan is implemented step by step and Sichuan fully embarks on the strategic deployment on construction of western comprehensive traffic pivot, the Group will continue to enjoy a stabilized, healthy and favourable operating environment as well as more and bigger development opportunities. Accordingly, in line with our strategic goals, we formulated the following operation strategy and business plan for the year 2011:

1. The Group will continue to enhance and improve operation and management of existing assets to safeguard and improve our overall operating benefits and realize sustained growth of our operating results, and on the other hand, the Group will increase efforts in business expansion, investment and financing, talents team and system innovation to vigorously open up new vista for corporate development.

2. The Group will efficiently and systematically press ahead the Chengren Expressway Project and phase I and II of Renbao BT Project which are all under construction, enhance project management and supervision and ensure achievement of pre-set goals in respect of time schedule, quality, construction cost and safety. We will expedite the proposed investment in Renshou BT Project and proactively foster more profit drivers to expand the scale of our assets and operation and step up our development pace.

3. Under the premises of financial security, the Company will enhance research on the variety of financial tools and broaden financing channels, with an aim to ensure sufficient cash flow and financial resources to support the Group's liability level and business expansion, so as to safeguard its healthy development.

4. Maintenance and management of expressway, which are the extension of expressway construction, play a vital role in protecting the functioning of expressways. The Company will put more efforts in preventive maintenance of the Group's expressway assets, improving daily maintenance of road surface, so as to ensure the Group's expressways are properly maintained and safely and smoothly operated. Meanwhile, the Company will actively promote application of new process, new materials, and new technologies to upgrade technology and construction level of expressway maintenance, laying a solid foundation for the long-term stable conditions of the Group's expressways.

5. We will further improve construction of the system of human resources. The Group will intensify introduction and training of talents, and through implementing and improving incentive mechanism, constraint mechanism, talent training and selection mechanism to stimulate the staff's enthusiasm and creativity, we expect an overall improvement in the staff's professional skills and comprehensive capability. Meanwhile, we will enhance building of corporate culture to foster harmonious cultural environment for our growth. In addition, we are to speed up and improve the management systems such as appointment, assessment and incentive system for management team, in order to cater for the need by the Group's rapid growth.

6. Scientific management is an important guarantee for sustained corporate development. As the Company further develops, its corporate management standard and capacity are facing stricter requirements. As such, the Company aims to step up efforts in corporate management system building and innovation. In compliance with "Basic Standard For Enterprise Internal Control "（企業內部控制基本規範）jointly issued by five national ministries and commissions and its application guidelines, in 2011, we will continue to realign, complement and improve internal control system of throughout the Group with an aim of an internal control system with definite division between power and obligations, scientific management and high efficiency , so as to upgrade comprehensive management capacity and efficiency and safeguard acceleration of development of the Group.

Cherishing the spiritual wealth gained from the "**11th Five-Year Plan**", we have now embarked on the dynamic journey of "**12th Five-Year Plan**" to receive even more demanding tasks and challenges . In pursue of our development positioning of "**consolidating internal resources, focusing on principal business, utilizing professional advantages, expanding into relevant industries**" and guided by "**one main-body and two wings**" development philosophy, we are to actively foster new point drivers, with a view to build the Company into a large infrastructure conglomerate with distinguish principal business, healthy operation, sound governance structure and supreme management capacity.

Zhang Zhiying
Vice Chairman and General Manager

Chengdu, Sichuan, the PRC
22 March 2011

I. Corporate Governance

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

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

(I). Amendments to and improvements in the governing system of the Company

During the Reporting Period, the Company formulated and approved a series of regulations and rules such as Rules of Procedure for General Meeting, Rules of Procedure for the Board, Rules of Procedure for the Supervisory Committee's Meeting, Rules of Work for the Independent Directors, Rules of Work for the General Manager, Rules of Work for the Secretary to the Board, Decision-Making Systems on Connected Transactions, Method of Management on Fund Transfers with Connected Person and Guarantee, Management Method for Information Disclosure, Method of Management on Utilization of Raised Proceeds, Management Method for Investment, and Working Rules on Investor Relations, Rules for Management of Reporting and Use of External Information, Implementation Rules of Audit Committee of the Board, Accountability System for Material Errors in Information Disclosure of Annual Reports, and Rules for Management of Insider Information. On March 2011, the Company also formulated and established the Work Plan for Implementation of Internal Control Standard Practice and the Internal Control System, etc.

(II). Establishment of the internal control system of the Company

A complete and sound internal control system provides for guidelines on constraining and regulating corporate management and is a solid foundation for risk prevention. Through internal control, the Company can identify and correct mistakes and illegal acts in time, and thus ensure the security and completeness of assets and the truth and reliability of operation results and financial position. Up to date, in accordance with the "Basic Rules for Internal Control of Companies" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission, the "Guidelines on Internal Control for Companies Listed on the SSE" by the SSE and the "Code on Corporate Governance Practices" by the Stock Exchange and in light of the Company's needs in internal management, the Company has set up a special leader team for internal control work to promote the internal control standard practices in an all-around way and also formulated and established the Work Plan for Implementation of Internal Control Standard Practice and the Internal Control System, so as to continuously optimize and enhance the internal control system of the Company and further improve the Company's internal control system in terms of integrity, implementation process and efficiency.

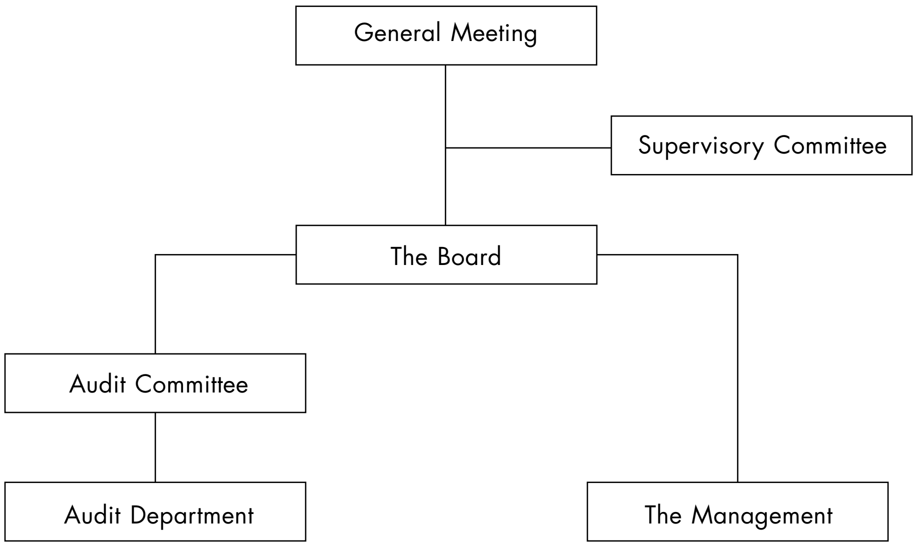
The Board is responsible for establishing and constantly improving the internal control system of the Company to ensure and review the effective implementation and regulatory compliance of all monitoring procedures in relation to corporate governance, operation management, property safety, risk control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

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

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

II. Legal Person Governance Structure of the Company

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



(I). Shareholders and General Meetings

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

1. Substantial Shareholders

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

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

2. General Meetings

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

During the Year, the Company convened one annual general meeting and one extraordinary general meeting.

(II). Board and Directors

Board

1. Responsibilities and division of work

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

2. Composition

In 2010, the Board is composed of 12 Directors. It is the fourth session since the establishment of the Company. The term of office of the Directors commenced from 29 March 2007 or from the date on which the Directors were elected. As at the date of this report, the composition of the Board of the Company is set out in the section headed "Profile of Directors, Supervisors, Senior Management and Employees" in this Annual Report.

The fourth session of the Board has 4 Independent Directors, representing one third of the total directorship. Independent Directors also serve a term of 3 years each and are eligible for re-election upon the expiry of the term, provided that his/her term shall not exceed 6 consecutive years. Independent Directors are experienced professionals in various industries including transportation, civil engineering, accounting and finance. With a responsible attitude and extensive professional knowledge and experience, the Independent Directors have in good faith performed their independent duties of honesty and diligence in participating in discussion and decision-making on material events of the Company, reviewing the fairness and justness of connected transactions and capital transaction of the Company as well as giving their independent opinions or recommendations, whereby the overall interests of the Company and the lawful interests of the shareholders as a whole have been effectively safeguarded. Independent Directors are playing an important role in the Board of the Company.

3. Meetings of the Board

During the Year, the Board of the Company convened a total of 7 meetings of the Board based on the needs of the operation and business development of the Company. Details of attendance are as follows:

Name	Whether an Independent Director	Required attendance in Board meetings during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Absence	Personal absence for two or more consecutive meetings
Tang Yong	No	7	2	5	0	0	No
Zhang Zhiying	No	7	2	5	0	0	No
Zhang Yang	No	7	1	5	1	0	No
Gao Chun	No	7	1	5	1	0	No
Zhou Liming	No	7	1	4	2	0	No
Wang Shuanming	No	7	2	5	0	0	No
Liu Mingli	No	7	2	5	0	0	No
Hu Yu	No	7	2	5	0	0	No
Luo Xia	Yes	7	2	4	1	0	No
Feng Jian	Yes	7	1	5	1	0	No
Zhao Zesong	Yes	7	2	5	0	0	No
Xie Bangzhu	Yes	7	2	5	0	0	No

Number of Board held during the Year	7
Of which: number of physical meetings	2
Number of meetings held via communications	5
Number of meetings held by way of combination of both	0

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

Apart from attendance of Board meetings with due diligence and performance of their duties with honesty, the Independent Directors of the Company also held meetings with external auditors to discuss annual auditing issues in accordance with relevant requirements and guidance and provided independent opinions and recommendations to the Board in respect of material issues and connected transactions of the Group. In 2010, Independent Directors, by joining the Board and special committees, reviewed and provided independent opinions on material issues of the Company such as investment decisions, connected transactions, nominations of senior executives, financial auditing and internal control, whereby the overall interest of the Company and the lawful interest of the shareholders as a whole have been effectively safeguarded and the healthy development of the Company has been promoted.

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

The management of the Company is responsible for the provision of relevant materials and information required for the Board's consideration of various proposals and arranging for senior executives to report their work at Board meetings. The Board of the Company and its special committees are entitled to appoint independent professional institution for service according to the needs of the exercise of authority, performance of duties or businesses, and the reasonable expenses incurred thereon shall be borne by the Company.

When a Board meeting considers any transaction, Directors shall report their interests involved, and shall abstain from attending or voting at the meeting as appropriate. The Company has stated that, if a substantial shareholder or a Director has a conflict of interest in any material matter, the connected Director must abstain from voting at the relevant Board meeting.

Directors

1. Appointment

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

2. Information support and professional development

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

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

3. Remuneration of Directors and supervisors

During the Year, the Board of the Company has not set up a Remuneration Committee with written terms of reference in accordance with the requirements of relevant code provisions of the Code. Until now, remunerations of Directors, supervisors and senior management of the Company are determined on the basis of related PRC policies or regulations, the Company's operation and applicable percentage of per capita income of the working population of Chengdu where the Company is situated, of which the remunerations of Directors are subject to approval of the general meeting of the Company. Information on the remunerations of Directors and supervisors of the Company for 2010 is set out in Note 8 to the financial statements of this Annual Report.

4. Independence of Directors

The Company has appointed a sufficient number of Independent Non-executive Directors. The Board has obtained written confirmations from all Independent Non-executive Directors concerning their independence in accordance with the requirements of Rule 3.13 of the listing rules of the Stock Exchange. The Company believes that the incumbent Independent Non-executive Directors have all complied with the relevant guidelines as stipulated in such rules and are still regarded as independent.

5. Securities transactions by Directors

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

(III). Audit Committee

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

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

In 2010, the Audit Committee convened 5 meetings presided by Madam Luo Xia, the chairman of the Audit Committee. All the members of the committee attended the meetings in person. All resolutions passed at the meetings were duly recorded, retained and a written report was issued to the Board in accordance with relevant regulations.

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

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

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

- Supervising internal auditing of the Company;

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

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

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

III. Supervisory System

(I). Supervisory Committee

The Supervisory Committee of the Company comprises 6 members, and is the fourth session of the Supervisory Committee since the establishment of the Company. The term of supervisors commenced from 29 March 2007 or the date of election.

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

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

(II). Internal Control

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

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

(III). Auditors

The financial statements included in the 2010 Annual Report of the Company were prepared in accordance with the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, respectively, and have been audited respectively by ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants.

The fees paid to accounting firms in 2010 are as follows:

Unit: RMB'000

	Annual audit fee for 2010	Annual audit fee for 2009
Ernst & Young Certified Public Accountants	**1,480**	1,750
ShineWing Certified Public Accountants	**450**	450

Note: apart from the said fees, no other fees were paid by the Company.

The Audit Committee has discussed and assessed the professional qualification of ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants and the annual audit for 2010 performed by them, and raised opinions and recommendations in respect thereof. The Audit Committee' proposal to reappoint ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants as the Company's domestic and international auditors respectively has been approved by the Board and will be presented to the 2010 annual general meeting for consideration and approval.

(IV). Information Disclosure and Investor Relations

Information Disclosure

To disclose information in a true, accurate, timely and complete manner is not only the responsibility and obligation of listed companies, but also a channel of communication and understanding between the company, and its investors and the public. In light of an open, just and fair principle, the Company complies with the relevant laws and the requirements of the SSE and the Stock Exchange and fulfills its disclosure obligations in an honest manner, so as to ensure that all shareholders enjoy an equal and sufficient access to information and improve its transparency. The duties concerning information disclosure is performed by the secretary of the Board.

During the Reporting Period, the Company released 4 periodic reports and 51 ad hoc announcements concerning A Shares and 60 ad hoc announcements concerning H Shares pursuant to the listing rules of the stock exchanges in Shanghai and Hong Kong. Announcements concerning A Shares were published on the website of the SSE and in China Securities Journal and Shanghai Securities News while those concerning H Shares were published on the website of the Stock Exchange. For details of these announcements, please visit http://www.sse.com.cn, http://www.hkex.com.hk or the Company's website http://www.cygs.com.

Investor Relations

The Company's management has been attaching importance to positive investor relations management and established Work Systems of Investor Relations to regulate and optimize the Company's management of investor relations.

During the reporting period, apart from strictly discharging its obligations in respect of statutory information disclosure, the Company, on one hand, through various forms of investor relations activities, conveyed information to investors, increased the transparency of the Company and enhanced mutual understanding and trust. On the other hand, in delivering information to investors, the Company also listened to their advice and collects the feedback from them, aiming to form an interactive and mutual beneficial relation between the Company and investors.

The Company conducts its investor relations work mainly through:

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

— daily receptions for visits from investors and analysts;

— participating in large-scale investor presentations;

— hosting results presentations and domestic and overseas road shows;

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

IV. Conclusion

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

The directors present their report and the audited financial statements for the year ended 31 December 2010.

Principal activities

The principal activities of the Company are investment holding, construction, management and operation of Chengyu Expressway and Chengya Expressway. Details of the principal activities of the subsidiaries are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the year.

Particulars of the expressways managed and operated by the Group as at 31 December 2010 are as follows:

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

Results and dividends

The Group's profit for the year ended 31 December 2010 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 68 to 144.

The directors recommend the payment of a final dividend of RMB0.087 per share for ordinary shares in respect of the year to shareholders of H Shares on the H Shares register of members on Wednesday, 25 May 2011 and shareholders of A Shares on the A Shares register of members on a specified date within two months after the forthcoming annual general meeting. This recommended final dividend has been stated in the statement of financial position as an allocation of retained profits within equity.

Summary financial information

A summary of the results and assets, liabilities and non-controlling interests of the Group for the last five financial years, as extracted from the published audited and reasonably restated/reclassified financial statements, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
PROFIT BEFORE TAX	**1,366,236**	986,046	701,849	646,548	328,713
Income tax expense	**(210,131)**	(148,475)	(104,269)	(122,514)	(7,127)
PROFIT FOR THE YEAR	**1,156,105**	837,571	597,580	524,034	321,586
Other comprehensive income after tax	**27,970**	–	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,184,075**	837,571	597,580	524,034	321,586
Profit attributable to:					
Owners of the Company	**1,145,274**	827,475	591,660	515,408	294,549
Non-controlling interests	**10,831**	10,096	5,920	8,626	27,037
	1,156,105	837,571	597,580	524,034	321,586
Comprehensive income attributable to:					
Owners of the Company	**1,173,234**	827,475	591,660	515,408	294,549
Non-controlling interests	**10,841**	10,096	5,920	8,626	27,037
	1,184,075	837,571	597,580	524,034	321,586

ASSETS, LIABILITIES AND NON-CONTROLLING INTERESTS

	As at 31 December				
	2010	2009	2008	2007	2006
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**11,897,687**	10,605,777	9,834,361	9,361,079	9,220,742
TOTAL LIABILITIES	**(3,473,690)**	(3,160,087)	(3,465,877)	(3,582,444)	(3,754,291)
NON-CONTROLLING INTERESTS	**(104,362)**	(103,573)	(103,225)	(105,036)	(103,615)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**8,319,635**	7,342,117	6,265,259	5,673,599	5,362,836

Fixed assets

Details of movements in fixed assets of the Company and the Group during the year are set out in note 12 to the financial statements.

Share capital

During the year, there are no movements in registered or issued share capital of the Company.

Pre-emptive rights

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

Purchase, redemption or sale of listed securities of the Company

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

Reserves

Details of movements in the reserves of the Company and the Group during the year are set out in note 27 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

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

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

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

As at 31 December 2010, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB1,204,777,000. The Company's distributable reserves as at 31 December 2010 determined under HK GAAP were lower than those determined under PRC GAAP. In addition, in accordance with the Company Law of the PRC, the Company's share premium account, in the amount of RMB2,654,601,000, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

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

Directors and supervisors

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

Chairman of the board of directors:

Mr. Tang Yong

Executive directors:

Mr. Zhang Zhiying
Madam Zhang Yang
Mr. Gao Chun
Mr. Zhou Liming
Mr. Wang Shuanming
Mr. Liu Mingli
Madam Hu Yu

Independent non-executive directors:

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

Supervisors:

Mr. Feng Bing
Mr. Hou Bin
Mr. Ouyang Huajie
Mr. Jian Shixi
Madam Yang Jingfan
Mr. Dong Zhi

The Company has received annual confirmations of independence from Madam Luo Xia, Mr. Feng Jian, Mr. Zhao Zesong and Mr. Xie Bangzhu. As at the date of this report, they were still considered to be independent.

Directors', supervisors' and senior management's biographies

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

Directors' service contracts

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

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

Directors' and supervisors' remuneration

The directors' and supervisors' remuneration is determined by the Company's board of directors with reference to the remuneration standard applicable to directors of listed state-owned companies in Mainland China.

Directors' and supervisors' interests in major contracts

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

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

As at 31 December 2010, none of the directors, supervisors and chief executives of the Company had any interest or short position in the shares and underlying shares of the Company required to be registered pursuant to Section 352 of the Securities and Futures Ordinance or otherwise required to be notified to the Company and The Stock Exchange of Hong Kong Limited (the "**Hong Kong Stock Exchange**") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers.

Material Contract

The Company, Chengle Expressway Company Limited ("Chengle Company") and Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company") entered into a separate service agreement (the "Service Agreement") with Sichuan Zhineng Transportation System Management Company Limited ("Sichuan Zhineng", a subsidiary of Sichuan Highway Development Holding Company ("Sichuan Highway Development")) respectively, in relation to the provision of a computer system on expressways network toll fee collection and technological services to the Company, Chengle Company and Chengbei Company.

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

As at 31 December 2010, interests and short positions of substantial shareholders or other persons in the shares and underlying shares of the Company as recorded in the register required to be kept under Section 336 of the SFO, or as otherwise notified to the Company and the Hong Kong Stock Exchange are set out below:

Name	Type of shares	Long Position/ Short Position	Number of the Company's issued shares held	Approximate percentage in the total share capital of the Company	Approximate percentage of A Shares/ H Shares	Capacity
Sichuan Highway Development Holding Company	A Shares	Long Position	975,060,000	31.88%	45.08%	Beneficial owner
Huajian Transportation Economic Development Centre	A Shares	Long Position	637,680,000	20.85%	29.48%	Beneficial owner
Chilton Investment Company, Inc.	H Shares	Long Position	80,720,946	2.64%	9.02%	Interest of controlled corporation
Chilton Investment Company, LLC.	H Shares	Long Position	80,720,946	2.64%	9.02%	Investment manager
Chilton Investment Company, Jr.	H Shares	Long Position	80,720,946	2.64%	9.02%	Interest of controlled corporation

Save as disclosed above, as at 31 December 2010, no person had any interest or short position in the shares or underlying shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' and supervisors' interests in competing businesses

During the year and up to the date of this report, none of the directors or supervisors of the Company were considered to have any interests in a business which competed or was likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("the Listing Rules").

Connected transaction and continuing connected transactions

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

Continuing Connected Transactions

(a) On 1 February 2004, Chengle Company entered into a five years tenancy agreement (the "First Tenancy Agreement") with Sichuan Highway Development, whereby Sichuan Highway Development leased out certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy agreement was extended for another five years when the First Tenancy Agreement expired on 31 January 2009 at an renewed annual rental of RMB1,138,000. For the year ended 31 December 2010, the rental paid to Sichuan Highway Development amounted to RMB1,138,000 (2009: RMB1,138,000).

(b) During the year, the Company, Chengle Company and Chengbei Company entered into a service agreement with Sichuan Zhineng respectively, in relation to the provision of a computer system on expressways network toll fee collection and technological services to the Company, Chengle Company and Chengbei Company. The Service Agreements cover the service fees payable by the Company and Chengbei Company for the year from 1 January 2010 to 31 December 2010 which is calculated based on a rate of 0.4% of the total audited toll income to be received by the Company, Chengle Company and Chengbei Company during the year. For the year ended 31 December 2010, the service fees paid by the Group to Sichuan Zhineng under the service agreement amounted to approximately RMB9,322,000 (2009: RMB7,511,000).

Further details of the Group's connected transactions during the year are set out in note 32 to the financial statements.

The independent non-executive directors of the Company have reviewed above-mentioned continuing connected transactions and confirmed that these transactions were:

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

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

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

The auditor of the Company, Ernst & Young issued a report on continuing connected transactions of the Group. The report was made in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The Group fully complied with requirements of Chapter 14A. 38 of the Listing Rules to disclose continuing connected transactions, for which Ernst & Young has issued a letter containing its findings and conclusions. A copy of the letter from the auditor has been submitted to the Hong Kong Stock Exchange by the Company.

Sufficiency of public float

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

Events after the reporting period

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

Auditors

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

By order of the Board

Tang Yong
Chairman

Chengdu, Sichuan Province, the PRC
22 March 2011

I. Basic Information of Directors, Supervisors, Senior Management and Employees

Name	Gender	Age	Position	Term of office	Total remuneration received from the Company for the Year *(RMB10 thousand) (before tax)*
Tang Yong	Male	46	Chairman	From March 2007 to March 2010	38.00
Zhang Zhiying	Male	48	Vice Chairman, General Manager	From March 2007 to March 2010	38.00
Zhang Yang	Female	47	Vice Chairman	From March 2007 to March 2010	13.00
Gao Chun	Male	54	Director	From March 2007 to March 2010	13.00
Zhou Liming	Male	47	Director	From March 2007 to March 2010	13.00
Wang Shuanming	Male	51	Director	From March 2007 to March 2010	13.00
Liu Mingli	Male	47	Director, Deputy General Manager	From March 2007 to March 2010	29.90
Hu Yu	Female	35	Director	From October 2009 to March 2010	13.00
Luo Xia	Female	48	Independent Non-executive Director	From March 2007 to March 2010	6.00
Feng Jian	Male	48	Independent Non-executive Director	From March 2007 to March 2010	6.00
Zhao Zesong	Male	56	Independent Non-executive Director	From March 2007 to March 2010	6.00
Xie Bangzhu	Male	71	Independent Non-executive Director	From December 2007 to March 2010	6.00
Feng Bing	Male	48	Chairman of Supervisory Committee	From March 2007 to March 2010	38.00
Hou Bin	Male	53	Supervisor	From March 2007 to March 2010	0
Ouyang Huajie	Male	42	Supervisor	From March 2007 to March 2010	0
Jian Shixi	Male	54	Supervisor, Chairman of Labour Union	From March 2007 to March 2010	29.90
Yang Jingfan	Female	49	Supervisor	From March 2007 to March 2010	22.60
Dongzhi	Male	30	Supervisor	From October 2009 to March 2010	0
Gan Yongyi	Male	47	Deputy General Manager	From March 2007 to March 2010	29.90
Luo Maoquan	Male	45	Deputy General Manager	From March 2007 to March 2010	29.00
Lin Binhai	Male	51	Deputy Party Secretary, Secretary to Discipline Committee	From June 2006 to June 2011	29.90
Liu Junjie	Male	46	Deputy General Manager	From March 2009 to March 2010	29.90
Zhang Yongnian	Male	48	Secretary of the Board	From March 2007 to March 2010	29.90
Li Guogang	Male	61	Financial Controller	From March 2007 to March 2010	29.90

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

II. Biographies of Directors, Supervisors and Senior Management

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

Mr. Tang Yong: aged 46, graduated from Sichuan Transportation School and Highway College of Chang'an University with a master's degree in engineering. He is a professor-level senior engineer. He was a technician, assistant engineer, deputy section head, and section head of Road Maintenance Section of Dazhu County, Sichuan, deputy director of the Communications Department of Dazhu County, deputy director of the Communications Department of Dachuan District, Sichuan, director and general manager of Sichuan Road & Bridge Co., Ltd., general manager and Party Secretary of Sichuan Dayu Expressway Construction Development Co., Ltd., head of the Construction Management Division of the Sichuan Provincial Department of Communications ("SPDC"), head of Comprehensive Planning Division of Sichuan Province. Currently he is the Chairman of the Company and a director of SCI Group.

Mr. Zhang Zhiying: aged 48, graduated from the Faculty of Accounting of Shanxi Financial and Economic Institute with a bachelor degree. And he holds the title of senior accountant.He was an accountant of the Finance Section of the Road Administration Bureau of the SPDC, deputy head of the Finance Division of Sichuan Major Highway Construction Directorate, head of the Finance Division of the Expressway Administration Bureau of the SPDC, deputy head and head of Finance Division of the SPDC and the Financial Controller of the Company. Currently he is the Vice Chairman and General Manager of the Company.

Madam Zhang Yang: aged 47, graduated from Lanzhou University with a bachelor degree in economics and is a postgraduate of economic management of Central Communist Party School. She once worked with the Ministry of Space Industry as an staff member, senior staff member and principal staff member. She was a director of Xiamen Port Development Company Limited (a company listed on the Shenzhen Stock Exchange) and a director of Zhejiang Expressway Company Limited (a company listed on the Hong Kong Stock Exchange). She has been serving as project manager, deputy department manager, department manager and assistant to the general manager of Huajian Centre since 1994. She is currently the deputy general manager of Huajian Centre, a director of Shenzhen Expressway Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), Henan Zhongyuan Expressway Company Limited (a company listed on the Shanghai Stock Exchange)and Jiangsu Expressway Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) as well as the vice chairman of Jilin Expressway Company Limited (a company listed on the Shanghai Stock Exchange) and the Company.

Mr. Gao Chun: aged 54, holds an MBA degree of Macao University of Science and Technology. He is a senior economist. He was the deputy head of the Teaching Department of Sichuan Transportation School, deputy head of the Human Resources Division of the SPDC, Deputy Party Secretary of the central district of Deyang City, Deputy Party Secretary of the Direct Body under the SPDC, Party Secretary of Highway Planning Survey and Design Research Institute of SPDC and Party Secretary of Sichuan Vocational and Technical College of Communications. He is currently a director and general manager of SCI Group, the chairman and Party Secretary of Sichuan Highway Development and a director of the Company.

Mr. Zhou Liming: aged 47, graduated from Southwest Jiaotong University and obtained a bachelor degree in engineering from Southwest Jiaotong University and a master degree in economics from Sichuan University. He is a senior economist. He was a tutor at Southwest Jiaotong University, head of Research Department of the Sichuan Provincial People's Government, secretary of the Department of General Office of Sichuan Provincial People's Government, deputy director of Road Administration Bureau of SPDC, assistant to the Mayor of the Neijiang Municipal People's Government in Sichuan Province, and Chairman of the Company. He is currently the general manager of Sichuan Highway Development and a director of the Company.

Mr. Wang Shuanming: aged 51, graduated from Dongbei University of Finance and Economics and Military Economics Academy with a master's degree, holds the title of senior accountant. He was an assistant in the Finance Division of the Logistics Department of Chengdu Military Area, assistant accountant in the Second Military Warehouse of Chengdu Military Area, assistant accountant and accountant in the 38th Division of the Logistics Department of Chengdu Military Area, assistant researcher and deputy head of the Finance Division of SPDC, and chief of the Management on Vehicle Purchase Surcharges Collection in Sichuan Province. He is currently a director and the deputy general manager of Sichuan Highway Development and a director of the Company.

Mr. Liu Mingli: aged 47, graduated from the Research School of Sichuan University majoring in economics. He was formerly the Secretary of the Department of General Office of Sichuan Provincial People's Government, the assistant to director and deputy director of Expressway Administration Bureau of the SPDC. He is currently a director and the deputy general manager of the Company.

Madam Hu Yu: aged 35, graduated from University of Tongji with a major in Accounting and obtained a bachelor degree in Economics. She was the accountant of Beijing City Development Group Company Limited, and finance manager of Shanghai Mitsubishi Elevator Co., Ltd. (Beijing office). She served as the manager of the finance department of China Merchants Group Limited, the deputy manager of the finance department of Huajian Centre, and a supervisor of Huabei Expressway Co., Ltd. (a company listed on the Shenzhen Stock Exchange). She currently serves as the general manager of the finance department of Huajian Centre, a supervisor of Guangxi Wuzhou Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange), a supervisor of Jiangsu Expressway Company Limited (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) and a director of the Company.

Madam Luo Xia: aged 48, graduated from Chongqing Construction and Engineering College with a bachelor degree majoring in road engineering. She also graduated from Southwest Jiaotong University with a master degree in traffic and transportation engineering and a doctorate degree in transportation means. Currently, she is a council member of the Sichuan Provincial Road Association, the deputy chairperson of the Chengdu Municipal Road Association and a member of the expert panel of "Straightway Project" under the Ministry of Public Security and the Ministry of Construction. She is a professor of Southwest Jiaotong University, a tutor to doctorate candidates, vice president of College of Traffic & Transportation, the chief of Research Institute of Traffic Engineering and an independent director of the Company.

Mr. Feng Jian: aged 48, graduated from Southwest Finance University with a bachelor degree in accounting and a doctorate in finance. Mr. Feng holds the qualification of the PRC Certified Public Accountant and is the Chief Secretary of China Finance Association, a member of the China Accounting Association and a council member of the China Education and Audit Association. He is currently a professor and tutor to doctorate candidates in Southwest Finance University, an independent director of Chengdu Westone Information Industry Co., Ltd, the shares of which are listed on the Shenzhen Stock Exchange, an independent director of Sichuan Dikang Sci & Tech Pharmaceutical Industry Co., LTD., the shares of which are listed on the Shanghai Stock Exchange and an independent director of the Company.

Mr. Zhao Zesong: aged 56, graduated from Beijing Institute of Business and Southwest Finance University with a master's degree in accounting. He holds the qualification of the PRC Certified Public Accountant. He is the standing director and deputy head of Sichuan Accounting Association, the expert for supervising certified accountants of Sichuan. He was a member and deputy director of the Review Committee for Senior Accountants and Senior Economists, an independent director of Chengdu Hi-Tech Development Co., Ltd. (formerly known as Chengdu Brilliant Development Group, Inc.) (a company listed on the Shenzhen Stock Exchange). Currently he is a director, professor and a master tutor of the Accounting Department of Chengdu University of Technology, an independent director of Sichuan Road & Bridge Co., Ltd, the shares of which are listed on the Shanghai Stock Exchange and Chengdu Tianxing Instrument and Meter Co, the shares of which are listed on the Shenzhen Stock Exchange, and an independent director of the Company.

Mr. Xie Bangzhu, aged 71, graduated from Chongqing Jiaotong College majoring in roads and bridge construction and Huadong Institute of Hydraulic majoring in hydraulic and port engineering, and obtained a college diploma and college diploma (correspondence) respectively. He had worked at Sichuan Institute of Road Design as a technician, engineer, deputy chief engineer to the head office, senior engineer and chief engineer of the design institute. Being a national standard engineer, he is currently a senior technical project consultant of Sichuan Institute of Road Design, chief engineer consultant of Sichuan Chuanjiao Highway Consultancy Company and an independent director of the Company.

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

Mr. Feng Bing: aged 48, graduated from Xi'an Road College and obtained a bachelor degree majoring in automatic control in traffic engineering and from Changan University majoring in traffic and transportation planning and management with a master degree. He had been the Party Secretary of the direct body under the SPDC, senior staff member and principal staff member of the Planning Division of the SPDC, and deputy head, investigator and head of the Overall Planning Division of the SPDC. He is currently the Chairman of the Supervisory Committee of the Company and the independent non-executive director of Jilin Expressway Company Limited (a company listed on the Shanghai Stock Exchange).

Mr. Hou Bin: aged 53, graduated from Chengdu Telecommunications Engineering College, and is a senior economist. He was the deputy chief officer of the Publicity and Education Division of Sichuan Automobile Transportation Company Chengdu Branch, the principal staff member of the Publicity Division of the Political Department of the SPDC, deputy division chief-level theory tutor of the party committee of the direct body under the SPDC, the leader of the liaison team for designated help for Muchuan County of the SPDC, the deputy head of Muchuan County People's Government, the office chief of Sichuan Shuhai Communications Investment Company Limited and the office chief, chairman of labour union, deputy general manager, chief of the preparation team of the party committee of Sichuan Highway Development, as well as the chairman of Sichuan Leshan Shanwan Hotel Co., Ltd., Sichuan Gaolu Communications Information Engineering Co., Ltd. and Sichuan Gonggashan Modern Glacier (Group) Co., Ltd., and the general manager of Chuanxi High-level Highway Development Co., Ltd. He is currently the deputy Party secretary of Sichuan Highway Development and a supervisor of the Company.

Mr. Ouyang Huajie: aged 42, graduated from Southwest Finance University with a bachelor's degree in accounting, and Sichuan University with a master's degree in economics, and is a senior accountant. He was the assistant accountant of the stated-owned Hongguang Electronic Tube Factory, chief accountant of Sichuan Tongya Industries Development Company, deputy manager of the Fund and Finance Division of Sichuan Highway Development. He is currently the chief economist of Sichuan Highway Development and a supervisor of the Company.

Mr. Jian Shixi: aged 54, graduated from Sichuan Provincial Party School majoring in economics and administration and is a senior economist. From 1986, he had been an principal staff member of the Policy Research Office of SPDC, deputy chief of Sichuan Major Highway Construction Directorate, office chief of the Expressway Administration Bureau of the SPDC. He is currently the chairman of Labour Union and a supervisor of the Company.

Madam Yang Jingfan: aged 49, graduated from Business School of Sichuan University with an MBA degree. She is in immediate rank for political work. From 1991, she had been the deputy office chief of the Management Division of Sichuan Dajian Road, senior staff member of Sichuan Major Highway Construction Directorate, head of the Human Resources Division of the Expressway Administration Bureau of the SPDC, and manager of the human resource department of the Company. She is currently a supervisor and the manager of Supervision and Auditing Department of the Company.

Mr. Dong Zhi: aged 30, graduated from Capital University of Economics and Business with a major in Economics, and has obtained a master degree in Economics. Mr. Dong worked in the Beijing construction department of China Road and Bridge Corporation International Company Limited. He once served as a supervisor of Northeast Expressway Company Limited (a company listed on the Shanghai Stock Exchange). Currently, he holds post in the department of shares management of Huajian Transportation Economic Development Center and serves concurrently as a supervisor of Anhui Expressway Company Limited (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) and a supervisor of Jilin Expressway Company Limited (a company listed on the Shanghai Stock Exchange) and a supervisor of the Company.

(III). Biographies of other Senior Management are as follows:

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

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

Mr. Gan Yongyi: aged 47, graduated from Chongqing Jiaotong College with a bachelor degree majoring in civil engineering of road and bridge transportation. He is a senior engineer. He once worded in Division I and Division VI of Sichuan Bridge Engineering Company Limited（四川省橋梁工程公司）as deputy chief, chief of Division VI as well as the deputy manager of Sichuan Bridge Engineering Company Limited. He also served as manager of the Bridge Branch of Sichuan Road and Bridge Group（四川路橋集團橋梁分公司）and deputy general manager of Sichuan Road and Bridge Company Limited. Currently, he is the Deputy General Manager of the Company.

Mr. Luo Maoquan: aged 45, graduated from the Faculty of Law of Sichuan University. He was an officer of the Policy Research Office of the SPDC, deputy office chief, chief, head of the human resources division, member of the sub-group of party committee, deputy director, secretary of the sub-group of party committee, commander of the Chengmian (le) Expressway Construction Directorate. He is currently the deputy general manager of the Company.

Mr. Lin Binhai: aged 51, graduated from the Research Centre of Renmin University of China with an MBA degree and obtained an MBA degree from Burlington Commerce College by distance education. He holds the title of a senior political worker (高級政工師). He was a political commissar and party secretary of an arsenal factory of the People's Liberation Army. He is currently the deputy party secretary and the secretary to the Discipline Committee of the Company.

Mr. Liu Junjie: aged 46, graduated from Sichuan Suining Normal School, Northern Sichuan Education College (majoring in Biology) and the Department of Industrial Economics of Graduate School of Chinese Academy of Social Science, holds a master's degree. He had served as the deputy chief of the general section of the Committee Office of Ganzi Prefecture, deputy secretary, principal staff member and deputy director of the Committee Office of Aba Prefecture, director of the inspection division of the Committee of Aba Prefecture, deputy mayor of Xiangtang County, deputy secretary of the County Committee of Lixang County, deputy head of the Bureau of Water Resources of Aba Prefecture and deputy director of the Safety Supervision and Management Office of the SPDC. He is now the deputy general manager of the Company.

Mr. Zhang Yongnian: aged 48, graduated from the Faculty of Law of Sichuan University. He served as judicial officer of the People's Court of Emeishan City, Sichuan Province, deputy chief of the Criminal Judicial Tribunal, deputy chief of the former Chengyu Expressway's Long Quan Management Office, deputy head of Road Section of Chengyu Expressway Management Office, deputy head of the Policy and Regulation Division of the Expressway Administration Bureau of the SPDC, the office chief of the board of directors of the Company, and a director of the Company. He is currently the Secretary to the board of the Company.

Mr. Li Guogang: aged 61, passed the self-study examination of higher education in 1989 with a major in accounting and is a senior accountant and senior consultant. He had been the chief officer of Accounting Division of Traffic Bureau of Ganzi Autonomous Prefecture, Sichuan Province, deputy chief and chief of Financial Division of the Expressway Administration Bureau of the SPDC and the manager of Financial Department of the Company. He is currently the Chief Financial Officer of the Company.

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

During the reporting period, there were no changes in the compositions of the directors, supervisors and senior management of the Company.

IV. Employees

As at 31 December 2010, the Company (including its branches) had 1,821 employees (996 in Chengyu Company, 759 in Chengya Branch and 66 in Chengren Branch). Detailed information is set out below:

(I) Composition

Composition by Expertise

Type	Number
Management (including professional technicians)	427
Technicians	1,394

Educational Level

Type	Number
Postgraduate	34
University graduate	359
Junior college graduate or beow	1,428

(II). Employee's Remuneration

The total remuneration of the Company's employees is correlated with the operating results of the Company. The salary of the Company's employees comprises fixed wage (including basic salary, and salaries determined by the position and period of service) and performance incentive. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. The total employees' salary of the Company was RMB105,488,000 for the year ended 31 December 2010 (including RMB62,248,000 for Chengyu Company, RMB37,250,000 for Chengya Branch and RMB5,990,000 for Chengren Branch).

(III). Employee's Insurance and Welfare

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

(IV). Staff Training

The Company highly values staff training. It held training courses of various kinds to improve the comprehensive quality and business standard of the employees at various levels. During the year, the Company organised a number of trainings for various positions in respect of standard operation and internal control system of listed companies, job-specific skills as well as further education for professional technical staff and other concentrated and theme trainings. A total of over 2,600 employees have attended the above training courses.

In the year 2010, all members of the Supervisory Committee have strictly complied with the requirements of the Company Law of the People's Republic of China, the listing rules of the SSE and the Stock Exchange, the Articles of Association of the Company and the Rules of Procedure of the Supervisory Committee. Based on the principle of good faith, they performed their duties prudently and actively with an aim to safeguard the interest of the shareholders, the Company and the employees.

I. Work of the Supervisory Committee

During the Year, the Supervisory Committee held four meetings. The notices, convening, holding and resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles of Association. Details of the meetings are as follows:

Meetings of the Supervisory Committee	Meeting Date	Topics
The 10th Meeting of the Fourth Session of the Supervisory Committee	9 March 2010	Considering and approving the Company's 2009 Domestic and Overseas Work Report of the Supervisory Committee; Considering the following matters: Special Report of Deposit and Actual Use of Raised funds; 2009 Implementation Report of Financial Budget; 2009 Domestic and Overseas Annual Reports and their summaries; 2010 Annual Financial Budget; re-appointment of SHINEWING and Ernst & Young as the domestic and overseas auditors of the Company respectively for the year 2010; Self-assessment Report of Internal Control; 2009 Social Responsibility Report; the Scheme of Profit Distribution and Dividend Payment for 2009.

Meetings of the Supervisory Committee	Meeting Date	Topics
The 11th Meeting of the Fourth Session of the Supervisory Committee	27 April 2010	Considering 2010 First Quarterly Report.
The 12th Meeting of the Fourth Session of the Supervisory Committee	19 August 2010	Considering the resolution in relation to unaudited financial statements, Interim Report and their summaries for the six months ended 30 June 2010; considering the resolution in relation to not distributing any interim dividend and not transferring capital reserve into share capital; considering the resolution in relation to partial design scheme of the Chengdu-Meishan (Renshou) Section of Chengdu-Zigong-Luzhou-Chishui (boundary between Sichuan and Guizhou) Expressway and related matters.
The 13th Meeting of the Fourth Session of the Supervisory Committee	29 October 2010	Considering 2010 Third Quarterly Report.

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

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

The Supervisory Committee is of the opinion that the Company conducted its operations and made decisions strictly in accordance with relevant rules and regulations, continuously improved its internal control system and further enhanced its corporate governance.The directors and senior management of the Company are able to perform their own duties and execute the resolutions and authorizations of the general meeting in compliance with relevant laws and regulations and with the attitude of fidelity and due diligence and from the perspective of safeguarding the interests of the shareholders and the Company, with no breach of laws and regulations, or conducts of misusing authority or damaging the interests of the Company, its shareholders and employees.

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

Having cautiously reviewed the Company's 2010 First Quarterly Results Report, Interim Results Report, the Third Quarterly Results Reports, Annual Results Report and other accounting information, the Supervisory Committee is of the opinion that the Company's financial income/ expenditure is clear and accounting and financial management are all in line with relevant regulations without problems. The Company's domestic and overseas accountants, ShineWing Certified Public Accountants and Ernst & Young Certified Public Accountants have respectively audited the 2010 Annual Financial Reports under the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, and have issued auditors' reports with standard unqualified opinions. The Supervisory Committee is of the view that the audit reports have reflected actual situations of the Company's financial income/expenditure, operation results and cash flow.

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

During the reporting period, the Company did not have any acquisition or sale of assets.

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

Saved as the connected transactions disclosed in Note 32 to the financial statements, the Company had no other connected transactions during the Year. In the opinion of the Supervisory Committee, the Company's connected transactions during 2010 were conducted on a just, fair and open basis and at reasonable considerations, and no circumstances was discovered in which insider transactions were involved or the Board breached the principle of good faith in decision-making, execution of agreement or information disclosure.

The Supervisory Committee of the Company will abide by its prudent and diligent practice, conscientiously implement the duties of the Supervisory Committee and protect the legal interests of shareholders.

By Order of the Supervisory Committee

冯兵

Feng Bing

Chairman of the Supervisory Committee

Chengdu, Sichuan, the PRC
22 March 2011

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

We have audited the consolidated financial statements of Sichuan Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 68 to 144, which comprise the consolidated and company statements of financial position as at 31 December 2010, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of these consolidated financial statements that give a true and fair view 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, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

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

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

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2010, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants
Hong Kong

22 March 2011

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	**2010** **RMB'000**	2009 RMB'000 (Restated)
REVENUE	5	**4,305,422**	2,415,175
Cost of sales and other direct operating costs		**(2,819,693)**	(1,254,332)
Gross profit		**1,485,729**	1,160,843
Other income and gains	5	**51,062**	59,363
Administrative expenses		**(63,877)**	(75,555)
Other operating expenses		**(24,436)**	(23,157)
Finance costs	7	**(94,952)**	(146,878)
Share of profits and losses of associates		**12,710**	11,430
PROFIT BEFORE TAX	6	**1,366,236**	986,046
Income tax expense	9	**(210,131)**	(148,475)
PROFIT FOR THE YEAR		**1,156,105**	837,571
OTHER COMPREHENSIVE INCOME			
Changes in fair value of available-for-sale assets		**37,293**	–
Income tax effect		**(9,323)**	–
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**27,970**	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,184,075**	837,571

	Notes	2010 RMB'000	2009 RMB'000 (Restated)
Profit attributable to:			
Owners of the Company	10	**1,145,274**	827,475
Non-controlling interests		**10,831**	10,096
		1,156,105	837,571
Total comprehensive income attributable to:			
Owners of the Company		**1,173,234**	827,475
Non-controlling interests		**10,841**	10,096
		1,184,075	837,571
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— basic and diluted	11	**RMB0.375**	RMB0.299

Details of the dividends payable and proposed for the year are disclosed in note 28 to the financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**522,304**	514,154
Service concession arrangements	13	**8,789,880**	7,043,697
Prepaid land lease payments	14	**571,878**	605,142
Investments in associates	16	**66,077**	63,807
Available-for-sale investments	17	**85,817**	33,295
Long term compensation receivables	18	**71,921**	74,544
Payments in advance	19	**415,087**	399,095
Deferred tax assets	20	**354**	–
Total non-current assets		**10,523,318**	8,733,734
CURRENT ASSETS			
Inventories	21	**11,907**	20,609
Prepayments, deposits and other receivables	22	**78,743**	44,717
Due from the ultimate holding company	32(c)	**–**	955
Pledged deposits	23	**10,000**	23,316
Cash and cash equivalents	23	**1,273,719**	1,782,446
Total current assets		**1,374,369**	1,872,043
CURRENT LIABILITIES			
Tax payable		**119,811**	76,687
Other payables and accruals	24	**661,923**	486,037
Interest-bearing bank and other loans	25	**1,297,727**	2,098,327
Total current liabilities		**2,079,461**	2,661,051
NET CURRENT LIABILITIES	2.5	**(705,092)**	(789,008)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,818,226**	7,944,726

	Notes	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	25	**1,377,419**	499,036
Deferred tax liabilities	20	**16,810**	–
Total non-current liabilities		**1,394,229**	499,036
Net assets		**8,423,997**	7,445,690
EQUITY			
Equity attributable to owners of the Company			
Issued capital	26	**3,058,060**	3,058,060
Reserves	27	**4,995,524**	4,088,341
Proposed final dividend	28	**266,051**	195,716
		8,319,635	7,342,117
Non-controlling interests		**104,362**	103,573
Total equity		**8,423,997**	7,445,690

Director

Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company										
	Issued capital *RMB'000*	**Share premium account** *RMB'000*	**Statutory surplus reserve** *RMB'000* *note 27(a)*	**General surplus reserve** *RMB'000*	**Difference arising from acquisition of non-controlling interests** *RMB'000*	**Merger difference** *RMB'000* *note 27*	**Retained profits** *RMB'000*	**Proposed final dividend** *RMB'000*	**Total** *RMB'000*	**Non-controlling interests** *RMB'000*	**Total equity** *RMB'000*
At 1 January 2009											
As previously stated	2,558,060	1,413,597	642,723	447,115	(243,712)	–	985,879	–	5,803,662	99,409	5,903,071
Effect of a business combination under common control	–	–	–	–	–	556,192	(94,595)	–	461,597	3,816	465,413
As restated	2,558,060	1,413,597	642,723	447,115	(243,712)	556,192	891,284	–	6,265,259	103,225	6,368,484
Acquisition of a subsidiary under common control	–	–	–	–	–	(1,089,315)	–	–	(1,089,315)	–	(1,089,315)
Acquisition of non-controlling interests of a subsidiary	–	–	–	–	(4,758)	–	–	–	(4,758)	(4,248)	(9,006)
Issue of A Shares	500,000	1,300,000	–	–	–	–	–	–	1,800,000	–	1,800,000
Share issue expenses	–	(58,996)	–	–	–	–	–	–	(58,996)	–	(58,996)
Total comprehensive income for the year	–	–	–	–	–	–	827,475	–	827,475	10,096	837,571
Transfer from/(to) reserves	–	–	74,158	139,034	–	–	(213,192)	–	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	(5,500)	(5,500)
Interim 2009 dividend *(note 28)*	–	–	–	–	–	–	(397,548)	–	(397,548)	–	(397,548)
Proposed final 2009 dividend *(note 28)*	–	–	–	–	–	–	(195,716)	195,716	–	–	–
At 31 December 2009	3,058,060	2,654,601	716,881	586,149	(248,470)	(533,123)	912,303	195,716	7,342,117	103,573	7,445,690

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY *(Continued)*

	Attributable to owners of the Company											
	Issued capital RMB'000	Share premium account RMB'000 note 27(b)	Statutory surplus reserve RMB'000 note 27(a)	General surplus reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Available-for-sale investment valuation reserve RMB'000	Merger difference RMB'000 (note 27)	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	3,058,060	2,654,601	716,881	586,149	(248,470)	–	(533,123)	912,303	195,716	7,342,117	103,573	7,445,690
Profit for the year	–	–	–	–	–	–	–	1,145,274	–	1,145,274	10,831	1,156,105
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	27,960	–	–	–	27,960	10	27,970
Total comprehensive income for the year	–	–	–	–	–	27,960	–	1,145,274	–	1,173,234	10,841	1,184,075
Transfer from/(to) reserves	–	–	117,911	189,361	–	–	–	(307,272)	–	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(10,052)	(10,052)
Final 2009 dividend declared	–	–	–	–	–	–	–	–	(195,716)	(195,716)	–	(195,716)
Proposed final 2010 dividend *(note 28)*	–	–	–	–	–	–	–	(266,051)	266,051	–	–	–
At 31 December 2010	3,058,060	2,654,601*	834,792*	775,510*	(248,470)*	27,960*	(533,123)*	1,484,254*	266,051	8,319,635	104,362	8,423,997

* These reserve accounts comprise the consolidated reserves of RMB4,995,524,000 (2009: RMB4,088,341,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	**2010** **RMB'000**	2009 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax:		**1,366,236**	986,046
Adjustments for:			
Finance costs		**94,234**	146,352
Share of profits and losses of associates		**(12,710)**	(11,430)
Depreciation	6, 12	**58,313**	102,019
Amortisation of prepaid land lease payments	6, 14	**32,223**	32,158
Amortisation of service concession arrangements	6, 13	**238,782**	223,217
Reversal of impairment of other receivables, net	6	**(15,809)**	(509)
Loss on disposal of items of property, plant and equipment	6	**6,617**	4,578
Gains on disposal of land use rights	5	**(2,285)**	–
Interest income	5	**(30,002)**	(27,276)
Dividend income from available-for-sale investments	5	**(1,007)**	(1,345)
		1,734,592	1,453,810
Additions to service concession arrangements		**(1,964,517)**	(463,445)
Increase in payments in advance		**(15,992)**	(399,095)
Increase in prepayments, deposits and other receivables		**(30,823)**	(5,589)
Decrease in inventories		**8,702**	1,008
Decrease in an amount due from the ultimate holding company		**955**	1,138
Increase in other payables and accruals		**181,058**	297,010
Cash generated from/(used) in operations		**(86,025)**	884,837
Income tax paid		**(159,874)**	(113,274)
Net cash flows from /(used in) operating activities		**(245,899)**	771,563
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(76,727)**	(69,049)
Proceeds from disposal of items of property, plant and equipment		**3,647**	316
Proceeds from disposal of land use rights		**3,326**	–
Acquisition of a subsidiary under common control		**–**	(990,135)
Interest received		**30,002**	27,133
Dividend received from an associate		**10,440**	5,687
Dividend received from available-for-sale investments		**1,007**	1,345
Net cash flows used in investing activities		**(28,305)**	(1,024,703)

	Notes	**2010** **RMB'000**	2009 RMB'000
Net cash outflows before financing activities		**(274,204)**	(253,140)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(119,854)**	(216,916)
Dividends paid		**(195,716)**	(397,686)
Dividends paid to non-controlling shareholders		**(10,052)**	(5,500)
Proceeds from A Share issue		**–**	1,800,000
Share issue expenses		**–**	(53,627)
Proceeds from bank loans		**2,389,110**	3,162,000
Proceeds from short term commercial papers		**–**	2,000,000
Costs on the issuance of commercial papers		**–**	(8,470)
Repayment of short term commercial papers		**(2,000,000)**	(1,500,000)
Repayment of bank loans		**(288,600)**	(4,197,600)
Repayment of other loans		**(22,727)**	(22,728)
Purchase of non-controlling interest		**–**	(8,186)
Net cash flows from/(used in) financing activities		**(247,839)**	551,287
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**(522,043)**	298,147
Cash and cash equivalents at beginning of year		**1,805,762**	1,507,615
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,283,719**	1,805,762
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	23		
Cash and bank balances		**1,015,684**	1,527,195
Non-pledged time deposits		**258,035**	255,251
Cash and cash equivalents as stated in the statement of financial position		**1,273,719**	1,782,446
Pledged time deposits		**10,000**	23,316
Cash and cash equivalents as stated in the statement of cash flows		**1,283,719**	1,805,762

Major non-cash transaction:

The details of a major non-cash transaction occurred during the year are disclosed in note 17(b) to the financial statements.

STATEMENT OF FINANCIAL POSITION

	Notes	2010 RMB'000	2009 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**342,156**	331,149
Service concession arrangements	13	**7,312,040**	5,646,696
Prepaid land lease payments	14	**393,002**	415,942
Investments in subsidiaries	15	**1,531,817**	1,531,817
Investments in associates	16	**39,428**	39,428
Available-for-sale investments	17	**60,789**	21,500
Payments in advance	19	**415,087**	399,095
Deferred tax assets	20	**354**	—
Total non-current assets		**10,094,673**	8,385,627
CURRENT ASSETS			
Inventories	21	**197**	197
Prepayments, deposits and other receivables	22	**41,794**	25,620
Due from subsidiaries	15	**702,400**	665,865
Pledged deposits	23	**10,000**	10,000
Cash and cash equivalents	23	**754,461**	1,247,041
Total current assets		**1,508,852**	1,948,723
CURRENT LIABILITIES			
Tax payable		**103,571**	56,226
Other payables and accruals	24	**421,553**	361,130
Interest-bearing bank and other loans	25	**1,222,727**	2,022,727
Due to subsidiaries	15	**153,817**	55,865
Total current liabilities		**1,901,668**	2,495,948
NET CURRENT LIABILITIES	2.5	**(392,816)**	(547,225)
TOTAL ASSETS LESS CURRENT LIABILITIES		**9,701,857**	7,838,402

	Notes	**2010** **RMB'000**	2009 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	25	**1,180,019**	88,636
Deferred tax liabilities	20	**6,015**	—
Total non-current liabilities		**1,186,034**	88,636
Net assets		**8,515,823**	7,749,766
EQUITY			
Issued capital	26	**3,058,060**	3,058,060
Reserves	27	**5,191,712**	4,495,990
Proposed final dividend	28	**266,051**	195,716
Total equity		**8,515,823**	7,749,766

1. CORPORATE INFORMATION

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

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

On 16 April 2010, in order to facilitate the construction of an integrated transportation hub in western China and the economic development of western China, the People's Government of Sichuan Province established Sichuan Transport Industry Investment Group Company Limited ("Transport Investment Group"). On 16 November 2010, Transport Investment Group and Sichuan Highway Development Company Limited ("Sichuan Highway Development") entered into a share transfer agreement, pursuant to which Sichuan Highway Development agreed to transfer 975,060,078 A Shares (representing 31.88% of the total share capital of the Company) to Transport Investment Group for nil consideration. The completion of the transfer is conditional upon the following conditions being fulfilled: (i) the obtaining of the approvals of the State-owned Assets Supervision and Administration Commission ("SASAC") of Sichuan Provincial Government and SASAC of the State Council; (ii) the granting of a waiver of general offer by the China Securities Regulatory Commission ("CSRC"); and (iii) the granting of the wavier by the executive directors of the Corporate Finance Division of the Securities and Futures Commission (the "Executive") from strict compliance with the requirements under Rule 26.1 of the Takeovers Code. Upon completion of the share transfer, (i) Sichuan Highway Development will cease to have any interest in the Company's shares; and (ii) Transport Investment Group will hold 975,060,078 A Shares (representing 31.88% of the total share capital of the Company) and will succeed Sichuan Highway Development as the holding company of the Company.

On 23 November 2010, the Executive granted the waiver on the obligation of Transport Investment Group to make a general offer for all the Company's shares under Note 6(a) to Rule 26.1 of the Takeovers Code. On 13 December 2010, SASAC of the State Council approved the transfer and issued an official written reply to the SASAC of Sichuan Provincial Government. On 10 March 2011, a waiver of general offer was granted by the CSRC.

As at the date of this report, Sichuan Highway Development is still in the process of transferring its interest in the Company to Transport Investment Group.

In the opinion of the directors of the Company, the parent and the ultimate holding company of the Company is Sichuan Highway Development.

2.1 BASIS OF PREPARATION

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

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Losses within a subsidiary are attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

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

HKFRS 1 (Revised)	*First-time Adoption of Hong Kong Financial Reporting Standards*
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Additional Exemptions for First-time Adopters*
HKFRS 2 Amendments	Amendments to HKFRS 2 *Share-based Payment — Group Cash-settled Share-based Payment Transactions*
HKFRS 3 (Revised)	*Business Combinations*
HKAS 27 (Revised)	*Consolidated and Separate Financial Statements*
HKAS 39 Amendment	Amendment to HKAS 39 *Financial Instruments: Recognition and Measurement — Eligible Hedged Items*
HK(IFRIC)-Int 17	*Distributions of Non-cash Assets to Owners*
HKFRS 5 Amendments *included in Improvements to HKFRSs* issued in October 2008	Amendments to HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations — Plan to sell the controlling interest in a subsidiary*
Improvements to HKFRSs 2009	Amendments to a number of HKFRSs issued in May 2009
HK Interpretation 4 Amendment	Amendment to HK Interpretation 4 *Leases – Determination of the Length of Lease Term in respect of Hong Kong Land Leases*
HK Interpretation 5	*Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause*

Other than as further explained below regarding the impact of HKFRS 3 (Revised), HKAS 27 (Revised), amendments to HKAS 7 included in Improvements to HKFRSs 2009, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these new and revised HKFRSs are as follows:

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements

HKFRS 3 (Revised) introduces a number of changes in the accounting for business combinations that affect the initial measurement of non-controlling interests, the accounting for transaction costs, the initial recognition and subsequent measurement of a contingent consideration and business combinations achieved in stages. These changes will impact the amount of goodwill recognised, the reported results in the period that an acquisition occurs, and future reported results.

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

(a) HKFRS 3 (Revised) Business Combinations and HKAS 27 (Revised) Consolidated and Separate Financial Statements *(Continued)*

HKAS 27 (Revised) requires that a change in the ownership interest of a subsidiary without loss of control is accounted for as an equity transaction. Therefore, such a change will have no impact on goodwill, nor will it give rise to a gain or loss. Furthermore, the revised standard changes the accounting for losses incurred by the subsidiary as well as the loss of control of a subsidiary. Consequential amendments were made to various standards, including, but not limited to HKAS 7 Statement of Cash Flows, HKAS 12 Income Taxes, HKAS 21 *The Effects of Changes in Foreign Exchange Rates,* HKAS 28 *Investments in Associates and* HKAS 31 *Interests in Joint Ventures.*

The changes introduced by these revised standards are applied prospectively and affect the accounting of acquisitions, loss of control and transactions with non-controlling interests after 1 January 2010.

(b) Improvements to HKFRSs 2009 issued in May 2009 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments results in changes in accounting policies, none of these amendments has had a significant financial impact on the Group. Details of the key amendments most applicable to the Group are as follows:

- HKAS 7 *Statement of Cash Flows:* Requires that only expenditures that result in a recognised asset in the statement of financial position can be classified as a cash flow from investing activities. Due to the retrospective application of this amendment, there is a restatement of the cash consideration paid for the acquisition of a non-controlling interest during the year ended 31 December 2009, which was previously classified under investing activities has been reclassified to financing activities in the consolidated statement of cash flows.

2.3 CHANGES IN PRESENTATION OF THE CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

In previous years, the Group presented an analysis of expenses on the face of its statement of comprehensive income using a classification based on their nature within the Group. Following the successful listing of the Company's A Shares on the Shanghai Stock Exchange on 27 July 2009, the directors of the Company reviewed the presentation of the Group's consolidated statement of comprehensive income, taking into account of the various financial information filing requirements of the Shanghai Stock Exchange and Hong Kong Stock Exchange, as well as the market practice, and concluded that to present an analysis of expenses using a classification based on their function would improve efficiency in operation and the financial reporting processes for the compliance with various filing requirements.

Consequently, the presentation of the consolidated statement of comprehensive income for the year ended 31 December 2009 has been restated and the comparative amounts have been reclassified in order to conform with the current year's presentation as follows:

	For the year ended 31 December 2009	
	As restated	**As previously stated**
	RMB'000	*RMB'000*
Consolidated statement of comprehensive income (Extract):		
Revenue	2,415,175	1,878,814
Cost of sales and other direct operating expenses	(1,254,332)	—
Other income and gains	59,363	605,028
Administrative expenses	(75,555)	—
Depreciation and amortisation	—	(357,394)
Employee costs	—	(193,782)
Other operating expenses	(23,157)	(811,172)

In addition to the above, the presentation of certain comparative information in these financial statements has been changed to conform with current year's presentation. Since the change only affects the presentation aspect, there is no impact on the Group's profit for the year or the calculation of the Group's earnings per share.

2.4 ISSUED BUT NOT YET EFFECTIVE HKFRSs

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

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters* [2]
HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-Time Adopters* [4]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures – Transfers of Financial Assets* [4]
HKFRS 9	*Financial Instruments* [6]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes – Deferred Tax: Recovery of Underlying Assets* [5]
HKAS 24 (Revised)	*Related Party Disclosures* [3]
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation – Classification of Rights Issues* [1]
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement* [3]
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments* [2]

Apart from the above, the HKICPA has issued *Improvements to HKFRSs 2010* which sets out amendments to a number of HKFRSs primarily with a view to removing inconsistencies and clarifying wording. The amendments to HKFRS 3 and HKAS 27 are effective for annual periods beginning on or after 1 July 2010, whereas the amendments to HKFRS 1, HKFRS 7, HKAS 1, HKAS 34 and HK(IFRIC)-Int 13 are effective for annual periods beginning on or after 1 January 2011 although there are separate transitional provisions for each standard.

1 Effective for annual periods beginning on or after 1 February 2010

2 Effective for annual periods beginning on or after 1 July 2010

3 Effective for annual periods beginning on or after 1 January 2011

4 Effective for annual periods beginning on or after 1 July 2011

5 Effective for annual periods beginning on or after 1 January 2012

6 Effective for annual periods beginning on or after 1 January 2013

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

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2013.

HKAS 24 (Revised) clarifies and simplifies the definition of related parties. It also provides for a partial exemption of related party disclosure to government-related entities for transactions with the same government or entities that are controlled, jointly controlled or significantly influenced by the same government. The Group expects to adopt HKAS 24 (Revised) from 1 January 2011.

Improvements to HKFRSs 2010 issued in May 2010 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2011. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments are expected to have a significant financial impact on the Group.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fundamental accounting concept

As at 31 December 2010, the Group's current liabilities exceeded its current assets by approximately RMB705.1 million. The directors have prepared these consolidated financial statements on a going concern basis notwithstanding the net current liabilities position because based on the correspondence received by the directors, banking facilities of RMB1.5 billion, RMB1.05 billion, RMB0.6 billion, RMB0.5 billion, RMB0.3 billion granted by China CITIC Bank, Industrial and Commercial Bank of China, Bank of China, Shanghai Pudong Development Bank, Huaxia Bank, respectively, are available to the Group for the next one year and two years aggregated amounts of RMB2.55 billion and RMB1.4 billion, respectively. As at 31 December 2010, banking facilities amounting to RMB1.0 biillion in aggregate were utilised.In addition, during the year, the Company entered into a mid-long term syndicated loan with the sole mandated lead arranger, China CITIC Bank (Chengdu Branch), and other eight banks in the PRC as joint lenders totalling RMB4.89 billion to finance the construction of the Chengdu-Meishan section of Chengdu-Zigong-Luzhou-Chishui Expressway (the "Chengren Expressway Project"), of which RMB1.114 billion has been drawn-down by the Company as at 31 December 2010.

Subsidiaries

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

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

Associates

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Business combinations and goodwill

Business combinations from 1 January 2010

Business combinations not under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred.

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it shall not be remeasured until it is finally settled within equity.

Goodwill is initially measured at cost being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the net fair value of identifiable assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combinations from 1 January 2010 *(Continued)*

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Business combinations prior to 1 January 2010 but after 1 January 2005

In comparison to the above-mentioned requirements which were applied on a prospective basis, the following differences applied to business combinations prior to 1 January 2010:

Business combinations, not under common control, were accounted for using the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Any additional acquired share of interest did not affect previously recognised goodwill.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Business combination under common control

The consolidated financial statements incorporate the financial statements items of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

The net assets of the combining entities or businesses are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in respect of goodwill or excess of acquirers' interests in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination.

The consolidated statement of comprehensive income include the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining entities or businesses first came under common control, where there is a shorter period, regardless of the date of the common control combination.

The comparative amounts in the financial statements are presented as if the entities or businesses had been consolidated at the previous date or when they first came under common control, whichever is the shorter.

Impairment of non-financial assets

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of non-financial assets *(Continued)*

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

Related parties

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

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

(b) the party is an associate;

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

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

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

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation *(Continued)*

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

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

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

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

Loans and receivables

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

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

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

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

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

Assets carried at cost

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

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

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

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

Financial liabilities

Initial recognition and measurement

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The measurement of loans and borrowings is as follows:

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

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

Derecognition of financial liabilities

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

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

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position, if and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined, using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

Inventories

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

Cash and cash equivalents

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

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

Provisions

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

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

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

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

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

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

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

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

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

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

Government grants

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Revenue recognition

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

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

(b) revenue from construction and upgrade services provided under the service concession arrangements, on the percentage of completion method, as further explained in the accounting policy for "Construction and upgrade services" below;

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

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

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

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

Construction and upgrade services

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

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Road maintenance contracts

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

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

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

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

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

Employee benefits

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

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

Operating leases

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

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

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Borrowing costs

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

Dividends

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

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

Foreign currencies

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

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. SIGNIFICANT ACCOUNTING ESTIMATES

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

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

(a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed.

(b) Impairment of non-financial assets

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

(c) Impairment of available-for-sale financial investments

The Group classifies certain assets as available for sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumption about the decline in value to determine whether there is an impairment that should be recognised to profit or loss. There was no impairment loss for available for sale investments during the year.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

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

The Group recognises income and expenses associated with construction and upgrade services provided under service concession arrangements in accordance with HKAS 11 *Construction Contracts*. The Group recognises construction revenue under service concession arrangements according to the percentage of completion of individual contract of construction and upgrade service work, which requires estimation to be made by management. The stage of completion is estimated by reference to the actual costs incurred over the total budgeted costs, and the corresponding contract revenue is also estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses.

During the year, the construction revenue and construction costs under service concession arrangements recognised by the Group amounted to RMB2,010,150,000 and RMB1,951,824,000 (2009: RMB455,819,000 and RMB434,124,000), respectively on the percentage of completion basis.

(e) Amortisation of costs of service concession arrangements

Amortisation of costs of service concession arrangements is calculated under the unit-of-usage method, whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements. The projected total traffic volume over the respective concession periods could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume. The carrying amount of service concession arrangements at 31 December 2010 was RMB8,789,880,000 (2009: RMB7,043,697,000).

(f) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of property, plant and equipment at 31 December 2010 was RMB522,304,000 (2009: RMB514,154,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(g) Discounted value of long term compensation receivables

The discounted value of long term compensation receivables in the future have been discounted using an imputed rate of interest of 13.92% after taking into account the risk premium associated with the credit risk incurred. The use of the discounted rate requires the Group to make estimates about the imputed rate of interest, and hence it is subject to uncertainty. The net present value of long term receivables at 31 December 2010 was RMB74,544,000 (2009: RMB76,847,000). Further details are included in note 18 to the financial statements.

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

The Group is subject to CIT in the PRC. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the income tax expenses and tax provisions in the period in which the differences are realised. The carrying amount of the PRC CIT payable at 31 December 2010 was RMB119,811,000 (2009: RMB76,687,000).

4. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors (the "Board") of the Company that makes strategic decisions. For the years ended 31 December 2009 and 2010, the directors of the Company concluded that there was no separate reporting segment apart from the toll operation segment. The Board reviews and assesses the performance on the toll operation segment based on the information available for the purpose of allocating resources to the segment and assessing its performance. Accordingly, no segment analysis is presented other than entity-wide disclosures.

Entity-wide disclosures

All external revenue of the Group during each of the two years ended 31 December 2010 was attributable to the operation of expressways in the PRC, the place of domicile of the Group's operating entities. The Group's non-current assets are all located in the PRC.

5. REVENUE, OTHER INCOME AND GAINS

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

	2010 RMB'000	2009 RMB'000
Revenue		
Toll income		
— Chengyu Expressway	**1,139,230**	960,431
— Chengya Expressway	**645,119**	550,735
— Chengle Expressway	**419,133**	340,665
— Chengbei Exit Expressway and Qinglongchang Bridge	**92,449**	86,951
	2,295,931	1,938,782
Less: Revenue taxes	**(71,431)**	(59,968)
Total toll income, net of revenue tax	**2,224,500**	1,878,814
Construction revenue in respect of service concession arrangements	**2,010,150**	455,819
Construction revenue in respect of construction works performed for third parties	**51,464**	60,282
Others (including income from rental and advertising)	**19,308**	20,260
	4,305,422	2,415,175
Other income and gains		
Interest income from bank deposits	**19,305**	16,298
Interest income from discounting long term compensation receivables *(note 18)*	**10,697**	10,978
Gain on disposal of land use rights	**2,285**	—
Rental income	**3,128**	3,281
Government grants	**193**	2,500
Dividend income from available-for-sale investments	**1,007**	1,345
Miscellaneous	**14,447**	24,961
	51,062	59,363
Total revenue, other income and gains	**4,356,484**	2,474,538

6. PROFIT BEFORE TAX

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

	Notes	2010 RMB'000	2009 RMB'000
Employee costs (including directors' remuneration *(note 8)*):			
Wages and salaries		**151,324**	122,740
Pension scheme contributions			
— Defined contribution fund		**23,085**	19,253
Accommodation benefits			
— Defined contribution fund		**16,657**	15,245
Supplementary pension scheme			
— Defined contribution fund		**8,600**	7,882
Other staff benefits		**30,941**	28,662
		230,607	193,782
Depreciation	12	**58,313**	102,019
Amortisation of service concession arrangements	13	**238,782**	223,217
Amortisation of prepaid land lease payments	14	**32,223**	32,158
Depreciation and amortisation expenses		**329,318**	357,394
Repairs and maintenance		**195,098**	162,315
Construction costs in respect of service concession arrangements*		**1,971,958**	449,620
Construction costs in respect of construction works performed for third parties		**51,121**	56,468
Minimum lease payments under operating leases:			
Land and buildings		**21,566**	20,673
Auditors' remuneration		**1,768**	2,296
Loss on disposal of items of property, plant and equipment		**6,617**	4,578
Provision for impairment of other receivables	22(b)	**–**	401
Reversal of provision for impairment of other receivables	22(b)	**(15,809)**	(910)

* During the year, depreciation charges of RMB520,000 (2009: RMB286,000) are included in the construction costs in respect of service concession arrangements.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2010	2009
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**42,142**	102,616
Interest on other bank loans	**8,687**	17,845
Interest on short term commercial papers	**63,893**	17,421
Costs on the issuance of commercial papers	**–**	8,470
Bank charges	**718**	526
	115,440	146,878
Less: Interest capitalised in service concession arrangements *(note 13)*	**(20,488)**	–
	94,952	146,878
Interest rate of borrowing costs capitalised	**5.35%**	–

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

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

Directors

	2010	2009
	RMB'000	*RMB'000*
Fees	**240**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**2,614**	1,649
Pension scheme contributions	**102**	84
Supplementary pension scheme contributions	**128**	122
	2,844	1,855
	3,084	2,095

(1) Independent non-executive directors

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

	2010	2009
	RMB'000	*RMB'000*
Madam Luo Xia	**60**	60
Mr. Feng Jian	**60**	60
Mr. Zhao Zesong	**60**	60
Mr. Xie Bangzhu	**60**	60
	240	240

There were no other emoluments payable to the independent non-executive directors during the year (2009: Nil).

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

(2) Executive directors

2010

	Salaries allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2010				
Mr. Tang Yong	**380**	**17**	**24**	**421**
Mr. Zhang Zhiying	**380**	**17**	**24**	**421**
Madam Zhang Yang	**130**	**–**	**–**	**130**
Mr. Gao Chun	**130**	**–**	**–**	**130**
Mr. Zhou Liming	**130**	**–**	**–**	**130**
Mr. Wang Shuanming	**130**	**–**	**–**	**130**
Mr. Liu Mingli	**299**	**17**	**21**	**337**
Madam Hu Yu	**130**	**–**	**–**	**130**
	1,709	**51**	**69**	**1,829**
2009				
Mr. Tang Yong	218	14	23	255
Mr. Zhang Zhiying	218	14	23	255
Madam Zhang Yang	130	–	–	130
Mr. Gao Chun	130	–	–	130
Mr. Zhou Liming	130	–	–	130
Mr. Wang Shuanming	130	–	–	130
Mr. Liu Mingli	186	14	20	220
Mr. Liu Xianfu	76	–	–	76
Madam Hu Yu	32	–	–	32
	1,250	42	66	1,358

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

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

(3) Supervisors

	Salaries allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2010				
Mr. Feng Bing	**380**	**17**	**24**	**421**
Mr. Hou Bin	**–**	**–**	**–**	**–**
Mr. Ouyang Huajie	**–**	**–**	**–**	**–**
Mr. Jian Shixi	**299**	**17**	**21**	**337**
Madam Yang Jingfan	**226**	**17**	**14**	**257**
Mr. Dong Zhi	**–**	**–**	**–**	**–**
	905	**51**	**59**	**1,015**
2009				
Mr. Feng Bing	165	14	23	202
Mr. Hou Bin	–	–	–	–
Mr. Ouyang Huajie	–	–	–	–
Mr. Jian Shixi	140	14	20	174
Madam Yang Jingfan	94	14	13	121
Mr. Liu Xianfu	–	–	–	–
Madam Luo Yi	–	–	–	–
Mr. Dong Zhi	–	–	–	–
	399	42	56	497

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

(4) The five highest paid individuals were the Company's directors or supervisors during the two years ended 31 December 2010.

In addition to the amounts disclosed above, five supervisors did not receive any remuneration from the Company in 2010, of which two supervisors are also senior executives of Sichuan Highway Development, the ultimate holding company of the Company, three supervisors are senior executives of Huajian Centre, which holds a 20.85% interest in the Company. In the opinion of the directors, it is not practicable to apportion these amounts between their services as supervisors of the Company and their services as senior executives of the above companies.

9. INCOME TAX EXPENSE

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the two years ended 31 December 2010.

Except for the companies discussed below that are entitled to a preferential tax rate, the subsidiaries and associates of the Company are required to pay CIT at the standard rate of 25%.

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

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

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

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

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

	2010	2009
	RMB'000	*RMB'000*
Current – Mainland China		
Charge for the year	**198,995**	142,739
Underprovision in prior years	**4,003**	5,035
Deferred *(note 20)*	**7,133**	701
Total tax charge for the year	**210,131**	148,475

9. INCOME TAX EXPENSE *(Continued)*

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

	2010 **RMB'000**	2009 RMB'000
Profit before tax	**1,366,236**	986,046
Tax at applicable tax rates of:		
25%	**10,932**	3,820
15%	**198,376**	145,615
Subtotal	**209,308**	149,435
Income not subject to tax	**(3,308)**	(242)
Expenses not deductible for tax	**2,035**	1,931
Tax losses utilised from previous years	**–**	(5,970)
Adjustments in respect of current tax of previous periods	**4,003**	5,035
Profit attributable to associates	**(1,907)**	(1,714)
Tax charge at the Group's effective tax rate	**210,131**	148,475

The share of tax attributable to associates amounting to RMB2,411,000 (2009: RMB2,116,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of comprehensive income.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2010 includes a profit of RMB943,726,000 (2009: RMB688,654,000) which has been dealt with in the financial statements of the Company (note 27).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary owners of the Company, and the weighted average number of ordinary shares of 3,058,060,000 (2009: 2,766,393,000) in issue during the year.

The Group had no potentially dilutive ordinary shares in issue during those years.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2010								
Cost:								
At 1 January 2010	649,386	199,359	161,391	399,935	166,389	79,971	1,906	1,658,337
Additions during the year	4,385	537	2,413	259	13,033	14,952	41,148	76,727
Disposals	(352)	(11,620)	(7,683)	–	(41,730)	(11,557)	–	(72,942)
Transfers	5,436	2,902	6,528	21,141	682	–	(36,689)	–
At 31 December 2010	658,855	191,178	162,649	421,335	138,374	83,366	6,365	1,662,122
Accumulated depreciation:								
At 1 January 2010	610,862	125,778	107,274	124,991	123,001	52,277	–	1,144,183
Provided during the year	7,631	13,009	12,133	12,813	7,629	5,098	–	58,313
Disposals	(330)	(7,702)	(7,200)	–	(37,012)	(10,434)	–	(62,678)
At 31 December 2010	618,163	131,085	112,207	137,804	93,618	46,941	–	1,139,818
Net carrying amount:								
At 1 January 2010	38,524	73,581	54,117	274,944	43,388	27,694	1,906	514,154
At 31 December 2010	40,692	60,093	50,442	283,531	44,756	36,425	6,365	522,304

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

Group *(Continued)*

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

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

Company

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2010								
Cost:								
At 1 January 2010	420,554	146,927	121,969	245,342	95,863	41,522	1,765	1,073,942
Additions during the year	178	537	1,307	162	1,223	8,229	38,466	50,102
Disposals	–	–	(7,632)	–	(26,297)	(7,282)	–	(41,211)
Transfers	4,358	2,902	6,528	21,141	435	–	(35,364)	–
At 31 December 2010	425,090	150,366	122,172	266,645	71,224	42,469	4,867	1,082,833
Accumulated depreciation:								
At 1 January 2010	394,837	101,272	74,459	76,565	71,517	24,143	–	742,793
Provided during the year	1,849	7,814	11,258	7,760	5,218	3,146	–	37,045
Disposals	–	–	(7,159)	–	(25,370)	(6,632)	–	(39,161)
At 31 December 2010	396,686	109,086	78,558	84,325	51,365	20,657	–	740,677
Net carrying amount:								
At 1 January 2010	25,717	45,655	47,510	168,777	24,346	17,379	1,765	331,149
At 31 December 2010	28,404	41,280	43,614	182,320	19,859	21,812	4,867	342,156

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

Company *(Continued)*

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

13. SERVICE CONCESSION ARRANGEMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cost:				
At 1 January	**8,983,325**	8,519,880	**7,247,021**	6,783,036
Additions	**1,984,965**	463,445	**1,854,852**	463,985
At 31 December	**10,968,290**	8,983,325	**9,101,873**	7,247,021
Accumulated amortisation:				
At 1 January	**1,939,628**	1,716,411	**1,600,325**	1,424,614
Charged for the year	**238,782**	223,217	**189,508**	175,711
At 31 December	**2,178,410**	1,939,628	**1,789,833**	1,600,325
Net carrying amount:				
At 1 January	**7,043,697**	6,803,469	**5,646,696**	5,358,422
At 31 December	**8,789,880**	7,043,697	**7,312,040**	5,646,696

(a) At 31 December 2010, the concession rights pertaining to Chengbei Exit Expressway and Chengle Expressway with the net carrying amounts of RMB181,706,000 and RMB1,212,637,000 (2009: RMB184,788,000 and RMB1,122,452,000), respectively were pledged to secure bank loans amounting to RMB166,000,000 and RMB106,400,000 (2009: RMB179,600,000 and RMB306,400,000), respectively (note 25(a)).

(b) During the year, construction costs of RMB1,620,119,000 (2009: RMB356,858,000) were incurred for the Chengren Expressway Project. Those construction costs were included in the additions to service concession arrangements which will be amortised upon the commencement of operation of the Chengren Expressway Project. In addition, those construction costs of RMB1,620,119,000 (2009: RMB356,858,000) and construction revenue of RMB1,620,119,000 (2009: RMB356,858,000) were recognised in respect of the construction service provided by the Group for the Chengren Expressway Project using the percentage of completion method during the year. All construction activities of the Chengren Expressway Project are sub-contracted to third parties subcontractors and the Group only performs project management.

(c) Additions to service concession arrangements during the year include interest capitalised in respect of bank loans amounting to RMB20,488,000 (2009: Nil).

14. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Carrying amount at 1 January	**605,142**	637,300	**415,942**	437,776
Amortisation for the year	**(32,223)**	(32,158)	**(21,899)**	(21,834)
Disposal	**(1,041)**	–	**(1,041)**	–
Carrying amount at 31 December	**571,878**	605,142	**393,002**	415,942

Prepaid land lease payments represent cost of land use rights in respect of the Group's leasehold land situated in the Sichuan Province, the PRC, and held under medium lease terms.

15. INVESTMENTS IN SUBSIDIARIES

	2010	2009
	RMB'000	*RMB'000*
Unlisted investments, at cost	**1,531,817**	1,531,817

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities as at 31 December 2010 and 2009 were unsecured, interest-free and are repayable on demand or within one year. The carrying amounts of all the amounts due from/to subsidiaries approximate to their fair values.

15. INVESTMENTS IN SUBSIDIARIES (Continued)

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

Name	Legal person status	Nominal value of issued/ registered capital	Percentage of equity attributable to the Group		Principal activities
			Direct	Indirect	
		RMB'000			
Chengle Company	Limited company	560,790	100	–	Construction and operation of Chengle Expressway
Chengbei Company	Limited company	220,000	60	–	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Chengdu Shuhai Investment Management Company Limited	Limited company	200,000	99.9	–	Investment holding
Sichuan Shugong Expressway Engineering Company Limited	Limited company	70,000	100	–	Repair and maintenance of expressways
Sichuan Shusha Enterprise Company Limited	Limited company	30,000	100	–	Provision of ancillary services and property development
Sichuan Chengyu Expressway Advertising Company Limited	Limited company	1,000	–	60	Design and production of advertisements
Sichuan Shugong Engineering Projects Inspection Company Limited	Limited company	2,000	–	100	Provision of road, bridge and tunnel inspection services

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Unlisted shares, at cost	**–**	–	**39,428**	39,428
Share of net assets	**75,240**	72,970	**–**	–
Provision for impairment	**(9,163)**	(9,163)	**–**	–
	66,077	63,807	**39,428**	39,428

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

Name	Legal person status	Percentage of equity attributable to the Group **2010**	2009	Principal activities
Chengdu Airport Expressway Company Limited	Limited company	**25**	25	Construction and operation of Chengdu Airport Expressway
Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited	Limited company	**20**	20	Development and sale of high-tech products
Sichuan Chengya Oil Supply Company Limited	Limited company	**27**	27	Operation of oil stations
Chengdu Stone Elephant Lake Communication Restaurant Company Limited	Limited company	**32.4**	32.4	Provision of accommodation, meeting reception and entertainment services
Sichuan Chengyu Asphalt High-tech Company Limited	Limited company	**45**	45	Sale and production of asphalt, additives, chemical products and architecture materials

16. INVESTMENTS IN ASSOCIATES *(Continued)*

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

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

	2010	2009
	RMB'000	*RMB'000*
Assets	**546,357**	544,270
Liabilities	**304,428**	310,291
Revenues	**359,838**	297,254
Profit	**49,757**	45,528

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Listed equity investment, at fair value:				
Mainland China	**67,518**	–	**43,560**	–
Unlisted equity investments, at cost	**18,299**	33,295	**17,229**	21,500
	85,817	33,295	**60,789**	21,500

17. AVAILABLE-FOR-SALE INVESTMENTS *(Continued)*

The major changes in available-for-sale investments during the year are as follows:

(a) On 18 August 2010, China Everbright Bank, one of the Group's available-for-sale investments previously stated at cost, completed its initial public offering and listed its shares on the Shanghai Stock Exchange. Upon the completion of the listing of share of China Everbright Bank, the Group's equity investment in China Everbright Bank was reclassified from an unlisted equity investment at cost to a listed equity investment at fair value and subsequently measured at fair value. During the year, the fair value gain in respect of the Group's investment in China Everbright recognised in other comprehensive income amounted to RMB37,293,000 (2009: Nil).

(b) During the year, deposits amounting to RMB15,229,000 were converted into an equity interest of approximately 1.1715% in Sichuan Trust Co., Ltd.

The above investments consisted of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The unlisted equity investments represent the Group's investments in enterprises domiciled in Mainland China. They are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18. LONG TERM COMPENSATION RECEIVABLES

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

18. LONG TERM COMPENSATION RECEIVABLES *(Continued)*

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

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

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

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

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

The compensation can be analysed as follows:

		2010			2009	
	Compensation	**Imputed interest**	**Net present value**	Compensation	Imputed interest	Net present value
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Receivables:						
Within one year	**13,000**	**10,377**	**2,623**	13,000	10,697	2,303
In the second to fifth years, inclusive	**52,000**	**37,309**	**14,691**	52,000	39,102	12,898
Beyond five years	**94,802**	**37,572**	**57,230**	107,802	46,156	61,646
	159,802	**85,258**	**74,544**	172,802	95,955	76,847
Portion classified as current assets *(note 22 (a))*			**(2,623)**			(2,303)
Non-current portion			**71,921**			74,544

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

19. PAYMENTS IN ADVANCE

Payments in advance as at 31 December 2010 and 2009 were in respect of prepayments for the construction of the Chengren Expressway Project.

Included in payments in advance at 31 December 2010, RMB370,707,000 (2009: RMB135,845,000) were paid by the Company to independent subcontractors before the commencement of the construction works and RMB44,380,000 (31 December 2009: RMB263,250,000) paid by the Company to Renshou County People's Government and Shuangliu County People's Government (2009: Paid to Shuangliu County People's Government) for resettlement of residents and removal of obstacles, for the construction of the Chengren Expressway Project.

20. DEFERRED TAX

Deferred tax assets

Group

	Losses available for offset against future taxable profit *RMB'000*	**Deferred income** *RMB'000*	**Total** *RMB'000*
At 1 January 2009	701	–	701
Deferred tax charged to profit or loss during the year *(note 9)*	(701)	–	(701)
At 31 December 2009 and 1 January 2010	–	–	–
Deferred tax credited to profit or loss during the year *(note 9)*	–	354	354
At 31 December 2010	–	354	354

Company

	Deferred income *RMB'000*
At 1 January 2010	–
Deferred tax charged to profit or loss during the year	354
At 31 December 2010	354

20. DEFERRED TAX *(Continued)*

Deferred tax liabilities

Group

	Fair value adjustment arising from available-for-sale investment *RMB'000*	**Accelerated amortization for tax purpose** *RMB'000*	**Total** *RMB'000*
At 1 January 2010	—	—	—
Deferred tax charged to profit or loss during the year *(note 9)*	—	7,487	7,487
Deferred tax charged to reserves during the year	9,323	—	9,323
At 31 December 2010	9,323	7,487	16,810

Company

	Fair value adjustment arising from available-for-sale investments *RMB'000*
At 1 January 2010	—
Deferred tax charged to reserves during the year	6,015
At 31 December 2010	6,015

21. INVENTORIES

At the end of the reporting period, inventories comprised spare parts and consumable suppliers for the repair and maintenance of expressways.

22. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

		Group		Company	
		2010	2009	**2010**	2009
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Deposits and other receivables	(a)	**188,785**	171,890	**69,598**	62,706
Impairment of other receivables	(b)	**(113,342)**	(129,151)	**(30,901)**	(38,014)
Deposits and other receivables, net of impairment	(c)	**75,443**	42,739	**38,697**	24,692
Prepayments		**3,300**	1,978	**3,097**	928
		78,743	44,717	**41,794**	25,620

The carrying amounts of other receivables approximate to their respective fair values.

(a) Deposits and other receivables at 31 December 2010 included a bidding deposit of RMB10,000,000 (2009: RMB10,000,000) paid to CMCC in respect of the bidding of the Chengren Expressway Project and the current portion of the long term compensation receivables to be received within one year of RMB2,623,000 (2009: RMB2,303,000) (note 18).

In accordance with the bidding arrangement, the Company was required to set aside a bidding deposit of RMB20,000,000, of which RMB10,000,000 was paid by the Company to CMCC and the remaining RMB10,000,000 (note 23) was satisfied by the pledge of the Company's time deposits.

The bidding deposits and pledged time deposits are expected to be refunded and released within 30 days after the Company makes payment of performance guarantee deposits of RMB200,000,000 to CMCC in respect of the Chengren Expressway Project.

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
At 1 January	**129,151**	129,660	**38,014**	38,562
Impairment losses recognised *(note 6)*	**–**	401	**–**	32
Impairment losses reversed *(note 6)*	**(15,809)**	(910)	**(7,113)**	(580)
At 31 December	**113,342**	129,151	**30,901**	38,014

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

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

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

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Neither past due nor impaired	**75,443**	42,739	**38,697**	24,692

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

23. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Cash and bank balances	**1,015,684**	1,527,195	**754,461**	1,247,041
Time deposits	**268,035**	278,567	**10,000**	10,000
	1,283,719	1,805,762	**764,461**	1,257,041
Less: Pledged time deposits for:				
Chengren Expressway Project	**(10,000)**	(10,000)	**(10,000)**	(10,000)
Road maintenance project	**–**	(13,316)	**–**	–
Cash and cash equivalents	**1,273,719**	1,782,446	**754,461**	1,247,041

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

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and six months, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

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

24. OTHER PAYABLES AND ACCRUALS

		Group		Company	
		2010	2009	**2010**	2009
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Accruals		**1,704**	6,876	**1,530**	5,907
Other payables	(a)	**660,219**	479,161	**420,023**	355,223
		661,923	486,037	**421,553**	361,130

(a) Included in other payables at 31 December 2010, there is a performance guarantee deposit of approximately RMB97,388,000 (2009: RMB258,438,000) received from sub-contractors in respect of the construction of the Chengren Expressway Project and the deposit bears interest at a rate of 0.36% (2009: 0.36%) per annum.

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

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

25. INTEREST-BEARING BANK AND OTHER LOANS

		Group		Company	
		2010	2009	**2010**	2009
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	*RMB'000*
Bank loans:	(a)				
Secured and guaranteed		**1,220,510**	306,400	**1,114,110**	–
Secured		**1,366,000**	179,600	**1,200,000**	–
Short term commercial papers	(b)	**–**	2,000,000	**–**	2,000,000
Other loans, unsecured	(c)	**88,636**	111,363	**88,636**	111,363
		2,675,146	2,597,363	**2,402,746**	2,111,363
Analysed into:					
Bank loans repayable:					
Within one year		**1,275,000**	75,600	**1,200,000**	–
In the second year		**30,000**	13,000	**–**	–
In the third to fifth years, inclusive		**759,750**	91,000	**698,750**	–
Beyond five years		**521,760**	306,400	**415,360**	–
		2,586,510	486,000	**2,314,110**	–
Short term commercial papers:					
Within one year		**–**	2,000,000	**–**	2,000,000
Other loans repayable:					
Within one year		**22,727**	22,727	**22,727**	22,727
In the second year		**22,727**	22,727	**22,727**	22,727
In the third to fifth years, inclusive		**43,182**	61,364	**43,182**	61,364
Beyond five years		**–**	4,545	**–**	4,545
		88,636	111,363	**88,636**	111,363
Total bank and other loans		**2,675,146**	2,597,363	**2,402,746**	2,111,363
Portion classified as current liabilities		**(1,297,727)**	(2,098,327)	**(1,222,727)**	(2,022,727)
Non-current portion		**1,377,419**	499,036	**1,180,019**	88,636

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

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

(a) The bank loans bear interest at the respective fixed rates ranging from 4.86% to 5.35% (2009: from 4.78% to 7.05%) per annum. Bank loans amounting to RMB166,000,000 and RMB106,400,000 (2009: RMB179,600,000 and RMB306,400,000) are secured by the pledge of the concession rights of Chengbei Exit Expressway and Chengle Expressway, respectively (note 13 (a)). In addition, the Company's holding company, Sichuan Highway Development, has guaranteed certain of the Group's bank loans aggregating RMB106,400,000 (2009: RMB306,400,000) (note 32(d)) free of charge.

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

(c) Other loans are unsecured and bear interest at rates ranging from 2.82% to 5.00% (2009: from 2.82% to 5.00%) per annum.

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

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Group				
Bank loans	**1,311,510**	410,400	**973,439**	270,524
Other loans	**65,909**	88,636	**55,812**	74,352
	1,377,419	499,036	**1,029,251**	344,876

	Carrying amounts		Fair values	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Company				
Bank loans	**1,114,110**	—	**834,287**	—
Other loans	**65,909**	88,636	**55,812**	74,352
	1,180,019	88,636	**890,099**	74,352

26. ISSUED CAPITAL

	2010 Number of *shares'000*	2009 Number of *shares'000*	**2010 Nominal value *RMB'000***	2009 Nominal value *RMB'000*
Authorised, issued and fully paid:				
A Shares of RMB1.00 each	**2,162,740**	2,162,740	**2,162,740**	2,162,740
H Shares of RMB1.00 each	**895,320**	895,320	**895,320**	895,320
	3,058,060	3,058,060	**3,058,060**	3,058,060

The H Shares have been issued and listed on main board of the Hong Kong Stock Exchange since October 1997. All A Shares have been listed on the Shanghai Stock Exchange since July 2009.

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

27. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on pages 72 and 73 of the financial statements.

The merger difference of the Group is resulted from the preparation of the Group's consolidated financial statements. It represents the difference between the consideration paid for the acquisition of Chengle Company, after netting off the nominal value of the issued capital of Chengle Company attributable to the then owners of Chengle Company. Prior to the acquisition of Chengle Company, the merger difference represents the nominal value of the issued capital of Chengle Company attributable to the then owners of Chengle Company.

27. RESERVES *(Continued)*

Company

	Share premium account	Statutory surplus reserve	General surplus reserve	Retained profits	Available-for-sale investment valuation reserve	Difference arising from the acquisition of non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
At 1 January 2009	1,413,597	621,065	445,442	924,021	–	(244,529)	3,159,596
Total comprehensive income for the year	–	–	–	688,654	–	–	688,654
Transfer from/(to) reserves	–	69,517	139,034	(208,551)	–	–	–
Issue of A Shares	1,300,000	–	–	–	–	–	1,300,000
Share issue expenses	(58,996)	–	–	–	–	–	(58,996)
Interim 2009 dividend *(note 28)*	–	–	–	(397,548)	–	–	(397,548)
Proposed final 2009 dividend *(note 28)*	–	–	–	(195,716)	–	–	(195,716)
At 31 December 2009 and 1 January 2010	2,654,601	690,582	584,476	810,860	–	(244,529)	4,495,990
Total comprehensive income for the year	–	–	–	943,726	18,047	–	961,773
Transfer from/(to) reserves	–	94,586	189,172	(283,758)	–	–	–
Proposed final 2010 dividend *(note 28)*	–	–	–	(266,051)	–	–	(266,051)
At 31 December 2010	2,654,601	785,168	773,648	1,204,777	18,047	(244,529)	5,191,712

27. RESERVES *(Continued)*

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

(b) According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. As at 31 December 2010, the Company's reserves available for distribution amounted to RMB1,204,777,000, as calculated in accordance with HK GAAP. The Company's distributable reserves as at 31 December 2010 determined under HK GAAP were lower than those determined under PRC GAAP.

28. DIVIDENDS

	2010	2009
	RMB'000	*RMB'000*
Interim – Nil (2009: RMB0.13)per ordinary share	**–**	397,548
Proposed final – RMB0.087 (2009: RMB0.064) per ordinary share	**266,051**	195,716
	266,051	593,264

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

29. OPERATING LEASE ARRANGEMENTS

(a) As lessor

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

At 31 December 2010, the Group had total future minimum lease receivables under non-cancellable operating leases with its tenant falling due as follows:

Group

	2010 ***RMB'000***	2009 *RMB'000*
Within one year	**5,066**	4,995
In the second to fifth years, inclusive	**20,264**	20,263
After five years	**50,660**	54,245
	75,990	79,503

(b) As lessee

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

At 31 December 2010, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2010 ***RMB'000***	2009 *RMB'000*	**2010** ***RMB'000***	2009 *RMB'000*
Within one year	**21,824**	22,009	**12,687**	12,687
In the second to fifth years, inclusive	**84,081**	85,653	**50,746**	50,746
After five years	**218,583**	239,011	**128,212**	137,099
	324,488	346,673	**191,645**	200,532

30. COMMITMENTS

In addition to the operating lease commitments detailed in note 29(b) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Contracted, but not provided for	**2,314,168**	3,285,630	**2,312,968**	3,242,079
Authorised, but not contracted for	**2,887,879**	3,505,609	**2,887,879**	3,505,609
	5,202,047	6,791,239	**5,200,847**	6,747,688

Further details of the capital commitments of the Group and the Company as at 31 December 2010 are analysed as follows:

	Group		Company	
	2010	2009	**2010**	2009
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In respect of:				
Construction works to upgrade the expressways	**25,365**	43,551	**24,165**	–
Chengren Expressway Project	**5,176,349**	6,744,047	**5,176,349**	6,744,047
Purchase of property, plant and equipment	**333**	3,641	**333**	3,641
	5,202,047	6,791,239	**5,200,847**	6,747,688

31. RETIREMENT SCHEMES AND EMPLOYEE ACCOMMODATION BENEFITS

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

During the year, contributions to the local social security bureau made by the Group under the defined contribution retirement scheme amounted to approximately RMB23,085,000 (2009: RMB19,253,000).

In addition, on 1 January 2007, a supplementary defined contribution pension scheme managed by an independent financial institution was established. Under the plan, the Group makes a monthly defined contribution to certain qualified employees at a rate of 8.3% of the qualified employees' salaries or wages of the prior year. There were no vested benefits attributable to past service upon the adoption of the plan. During the year, contributions to the supplementary defined contribution pension scheme made by the Group amounted to approximately RMB8,600,000 (2009: RMB7,882,000). Other than the above, the Group has no obligation for the payment of pension benefits beyond those annual contributions.

According to the relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to an accommodation fund. There are no further obligations on the part of the Group beyond the required annual contributions. During the year, the Group's contributions to the accommodation fund amounted to approximately RMB16,657,000 (2009: RMB15,245,000).

32. RELATED PARTY TRANSACTIONS

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

(a) In previous years, the Group obtained state loans in an original amount of RMB250,000,000 (2009: RMB250,000,000) in aggregate pursuant to certain loan repayment agreements (the "Loan Repayment Agreements") entered into between the Company and Sichuan Highway Development, the ultimate holding company of the Company. The state loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development in the Sichuan Province. For the purpose of financing the construction of Chengya Expressway, Sichuan Highway Development had initially obtained the state loans, and pursuant to the Loan Repayment Agreements, the state loans were then transferred to the Group. During the year, the Group made a partial repayment of the state loans in an amount of RMB22,727,000 (2009: RMB22,728,000). The state loans have been included in other loans as set out in note 25 to the financial statements.

32. RELATED PARTY TRANSACTIONS *(Continued)*

(b) During the year, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary of Sichuan Highway Development, in relation to the provision of a computer system on highway networks toll fee collection and supportive technological services to the Group amounted to RMB9,322,000 (2009: RMB7,511,000).

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

The outstanding balance due from the ultimate holding company was unsecured, interest-free and had no fixed terms of repayment.

(d) At 31 December 2010, bank loans of Chengle Company aggregating RMB106,400,000 (2009: RMB306,400,000) were guaranteed by Sichuan Highway Development free of charge (note 25(a)).

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

	2010	2009
	RMB'000	*RMB'000*
Fees	**240**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**4,399**	3,287
Pension scheme contributions	**205**	136
Supplementary pension scheme contributions	**245**	141
	4,849	3,564
Total compensation paid to key management personnel	**5,089**	3,804

Further details of directors' emoluments are included in note 8 to the financial statements.

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

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

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

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other loans are disclosed in note 25. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables which are subject to floating interest rate.

Liquidity risk

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

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

The Group's net current liabilities amounted to approximately RMB705,092,000 as at 31 December 2010.

With regard to 2010 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

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

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

Group

	2010					
	On demand *RMB'000*	**Less than 3 months** *RMB'000*	**3 to less than 12 months** *RMB'000*	**1 to 5 years** *RMB'000*	**Over 5 years** *RMB'000*	**Total** *RMB'000*
Interest-bearing bank and other loans	**–**	**4,545**	**1,293,182**	**855,659**	**521,760**	**2,675,146**
Tax payable	**–**	**119,811**	**–**	**–**	**–**	**119,811**
Other payables	**–**	**357,256**	**141,717**	**137,748**	**23,498**	**660,219**
	–	**481,612**	**1,434,899**	**993,407**	**545,258**	**3,455,176**

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

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

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

Company

	2010					
	On demand *RMB'000*	Less than 3 months *RMB'000*	3 to less than 12 months *RMB'000*	1 to 5 years *RMB'000*	Over 5 years *RMB'000*	Total *RMB'000*
Interest-bearing bank and other loans	–	4,545	1,218,182	764,659	415,360	2,402,746
Tax payable	–	103,572	–	–	–	103,572
Other payables	–	190,170	100,696	124,207	4,950	420,023
Due to subsidiaries	153,817	–	–	–	–	153,817
	153,817	298,287	1,318,878	888,866	420,310	3,080,158

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

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

Credit risk

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

Fair values

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

Capital management

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

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2010 and 31 December 2009.

The Group monitors capital using a gearing ratio, which is the Group's total liabilities over its total assets. The Group's policy is to keep the gearing ratio between 20% and 35%. The Group's gearing ratio as at 31 December 2010 was 29.2% (2009: 29.8%)

34. EVENTS AFTER THE REPORTING PERIOD

(a) As disclosed in note 1, Sichuan Highway Development is in the process of transferring its interest in the Company to Transport Investment Group. On 10 March 2011, a waiver of general offer was granted by the CSRC.

(b) On 17 March 2011, the Company completed issue of the short-term commercial papers aggregating RMB2 billion to domestic institutional investors participating in the PRC interbank debt market. The short-term commercial papers were issued at a par value of RMB100 per unit, with an interest rate of 4.58% and are due for repayment on 16 March 2012.

35. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 22 March 2011.