深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00548)

2008 Annual Results Announcement

The Board is pleased to announce the audited results of the Group for the year ended 31 December 2008, prepared in accordance with HKFRS, together with comparative figures for the corresponding year in 2007, as follows:

Consolidated income statement

		Year ended 31 December	
	Note	**2008**	2007
		RMB'000	*RMB'000*
			(Restated)
Revenue	3	**4,242,041**	3,845,511
Business tax and surcharges	4	**(36,699)**	(37,427)
Cost of services	4	**(3,624,357)**	(3,089,012)
Gross profit		**580,985**	719,072
Other income		**1,619**	11,103
Other gains - net		**5,690**	349
Administrative expenses	4	**(54,012)**	(50,232)
Operating profit		**534,282**	680,292
Finance income	5	**7,390**	9,085
Finance costs	5	**(255,260)**	(149,864)
Share of profit of jointly controlled entities		**291,500**	189,003
Share of profit of associates		**(17,127)**	(13,486)
Profit before income tax		**560,785**	715,030
Income tax expenses	6	**(66,257)**	(98,093)
Profit for the year from continuing operations		**494,528**	616,937

	Note	Year ended 31 December 2008	2007
		RMB'000	*RMB'000*
			(Restated)
Attributable to:			
- Equity holders of the Company		**503,195**	622,392
- Minority interest		**(8,667)**	(5,455)
		494,528	616,937
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
- Basic and diluted	7	**0.231**	0.285
Dividends	8	**261,684**	348,912

Consolidated balance sheet

	Note	As at 31 December 2008	2007
		RMB'000	*RMB'000*
			(Restated)
ASSETS			
Non-current assets			
Property, plant and equipment		**696,976**	344,800
Investment properties		**18,132**	-
Construction in progress		**267,562**	349,410
Concession intangible assets		**13,777,469**	10,741,681
Prepaid lease payments		**15,912**	-
Investments in jointly controlled entities		**1,212,980**	1,423,810
Investments in associates		**1,264,681**	1,141,828
		17,253,712	14,001,529
Current assets			
Inventories		**3,075**	2,956
Trade and other receivables	9	**323,626**	223,886
Restricted cash		**140,580**	16,032
Cash and cash equivalents		**536,293**	466,990
Derivatives financial instruments		**6,292**	-
		1,009,866	709,864
Total assets		**18,263,578**	14,711,393

	Note	As at 31 December 2008	2007
		RMB'000	*RMB'000*
			(Restated)
EQUITY			
Capital and reserves attributable to equity holders of the Company			
Share capital		**2,180,700**	2,180,700
Other reserves		**3,594,861**	3,541,124
Retained earnings			
- Proposed final dividend		**261,684**	348,912
- Others		**1,010,113**	822,339
		7,047,358	6,893,075
Minority interest in equity		**704,783**	713,450
Total equity		**7,752,141**	7,606,525
LIABILITIES			
Non-current liabilities			
Borrowings		**6,903,730**	5,251,963
Deferred income tax liabilities		**390,279**	441,741
Provision for maintenance/resurfacing obligations		**304,133**	237,720
		7,598,142	5,931,424
Current liabilities			
Other payables and accrued expenses		**1,735,603**	754,895
Current income tax liabilities		**58,716**	27,565
Borrowings		**1,118,976**	390,984
		2,913,295	1,173,444
Total liabilities		**10,511,437**	7,104,868
Total equity and liabilities		**18,263,578**	14,711,393
Net current liabilities		**(1,903,429)**	(463,580)
Total assets less current liabilities		**15,350,283**	13,537,949

Notes:

1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with HKFRS. The PRC statutory financial statements of the Group have been prepared in accordance with CAS. Appropriate restatements have been made to the PRC statutory financial statements to conform with HKFRS.

The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets and financial liabilities (including derivative instruments) at fair value through profit or loss.

The Group reported net current liabilities of approximately RMB1,903,429,000 as at 31 December 2008. The directors of the Company had made an assessment and concluded that there is no going concern issue of the Group based on the facts that the Group has been generating positive and increasing operating cash flows. It has not experienced any difficulties in renewing its banking facilities and there is no evidence indicating that the banks will not renew the facilities. In addition, the Group had unutilized banking facilities of approximately RMB6.61 billion at 31 December 2008, within the amount, facilities expiring beyond one year amounted to approximately RMB4.02 billion, in order to meet its obligations and commitments. Consequently, the financial statements have been prepared by the directors of the Company on a going concern basis.

2 Changes in accounting policies

In previous years, the costs incurred for constructing the related infrastructures for toll roads, under the service concession arrangements ("Service Concessions") of the Group made with relevant local governments, were accounted for as property, plant and equipment of the Group. These expenditures were depreciated based on a units-of-usage basis, making reference to the proportion of actual traffic volume achieved for a particular period out of the total projected traffic volume throughout the periods within which the Group is granted the rights to operate the related toll roads (the "Traffic Flow Amortisation Method"). IFRIC 12 requires the Group to account for these Service Concessions under this interpretation from 1 January 2008 onwards. The application of the interpretation results in changes in accounting policies of the Group, which have been applied retrospectively and the comparative figures have been restated accordingly.

The accounting policies changed arising from the adoption of IFRIC 12 include the following:

Concession arrangements

The Group has entered into contractual service arrangements with local government authorities for its participation in the development, financing, operation and maintenance of various toll road infrastructures. Under the arrangements, the Group carries out the construction or upgrade work of toll roads for the granting authorities and receives in exchange for the right to operate the toll roads concerned; and the entitlement to toll fees collected from users of the toll road services. In accordance with IFRIC 12, the assets under the Service Concessions are classified as intangible assets or financial assets. The assets are classified as intangible assets if the Group receives a right to charge users of the respective toll roads or as financial assets if it is paid by the grantor.

Construction contracts

The Group recognises income and expenses associated with construction services and upgrade services provided under the Service Concessions in accordance with HKAS 11, "Construction Contracts".

Revenue generated by construction and upgrade services rendered by the Group is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The consideration may be rights to attain a financial asset or 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. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

Intangible asset model

The Group applies the intangible asset model to account for the Service Concessions where the Group is paid by the users of the toll roads, and the concession grantors (the respective local governments) have not provided any contractual guarantees in respect of the amounts of construction costs incurred to be recoverable. The intangible asset corresponds to the right granted by the respective concession grantors to the Group to charge users of the toll road services.

Intangible assets resulting from the application of IFRIC 12 are recorded in the balance sheet as 'Concession intangible assets'. Once the underlying infrastructure of the Service Concessions is completed, the intangible assets are amortised, on the Traffic Flow Amortisation Method, as allowed under HK-Int 1, ‘The Appropriate Policies for Infrastructure Facilities’, over the operating periods granted.

For certain Service Concessions contracts, the Group receives from the concession grantors certain monetary grants (the “Grants”) in addition to the entitlements and rights to receive the toll fees from users of the toll road services. The consideration receivable is divided into two components, financial assets recognised based on the amount of Grants payable by the concession grantors, and the residual balance is recognised as intangible assets. The Grants were previously recognised as deferred income or advances from government, where deferred income was credited to the income statement of the Group based on the actual traffic volume of a period and the basis as determined based on the Grants and the total projected traffic volume throughout the whole approved operating period of the relevant toll roads, over the operating periods of the respective toll roads before the adoption of IFRIC 12.

Financial assets resulting from the application of IFRIC 12 are recorded in the balance sheet as financial assets.

Provisions

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. The resulting maintenance and resurfacing costs, except for upgrade services, are recognised as provisions according to the requirements of HKAS 37, ‘Provisions, Contingent Liabilities and Contingent Assets’, when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

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

Land use rights

Land use rights acquired in conjunction with the Service Concessions which the Group has no discretion or latitude to deploy for other services other than the use in the Service Concessions are treated as intangible assets acquired under the Service Concessions. They were previously separately presented as long-term assets of the Group before the adoption of IFRIC 12.

These changes in accounting policies have been applied retrospectively and resulted in the following financial impact (including the retrospective adjustment made to statutory surplus reserve):

	As at 31 December	
	2008	**2007**
	RMB’000	**RMB’000**
Increase in concession intangible assets	13,777,469	10,741,681
Decrease in property, plant and equipment	9,883,979	7,065,518
Decrease in construction in progress	4,077,923	3,859,022
Decrease in land use rights	204,182	215,526
Decrease in investments in jointly controlled entities	109,859	89,820
Decrease in deferred income tax liabilities	48,853	32,494
Increase in provision for maintenance/resurfacing obligations	304,133	237,720
Decrease in government grants	321,145	337,263
Decrease in other reserve	45,763	45,763
Decrease in retained earnings	387,816	311,375
Increase in minority interest	970	970

	Year ended 31 December	
	2008	**2007**
	RMB'000	**RMB'000**
Increase in revenue	3,178,980	2,742,056
Increase in cost of services	3,211,851	2,750,344
Increase in finance costs	23,772	18,087
Decrease in other income	16,118	18,199
Decrease in share of profit of jointly controlled entities	20,039	14,947
Decrease in income tax expenses	16,359	8,538
Increase in minority interest	-	970
Decrease in basic and diluted earnings per share (in RMB per share)	0.035	0.024

The opening retained earnings at 1 January 2007 has been decreased by RMB267,074,000 as a result of these changes in accounting policies.

The above changes reflect the impact of application of IFRIC 12 to the Group, including its share of net assets and operating results in associates and jointly controlled entities engaged in Service Concessions accounted for under the equity method of accounting, to the extent that they are significant to the Group.

3 Segment information

Due to the adoption of IFRIC 12 during the year, as at 31 December 2008, the Group reassessed its operations to be organised in two main business segments:

- Toll roads operations; and
- Construction under Service Concession

Other operations mainly comprise provision of advertising services and other services. None of these operations constitutes a separately reportable segment.

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

Business segment	**Toll roads operations**	**Construction under Service Concessions**	**Others**	**Unallocated**	**Group**
	RMB'000	**RMB'000**	**RMB'000**	**RMB'000**	**RMB'000**
Segment revenue	984,818	3,178,980	78,243	-	4,242,041
Segment results	541,365	-	39,620	-	580,985
Other income				1,619	1,619
Other gains - net	-	-	-	5,690	5,690
Administrative expenses	-	-	-	(54,012)	(54,012)
Operating profit	-	-	-	-	534,282
Finance income	-	-	-	7,390	7,390
Finance costs	(262,087)	-	-	6,827	(255,260)
Share of post-tax profit of jointly controlled entities	291,500	-	-	-	291,500
Share of post-tax loss of associates	(18,651)	-	1,524	-	(17,127)
Profit before income tax	-	-	-	-	560,785
Income tax expenses	-	-	-	-	(66,257)
Profit for the year	-	-	-	-	494,528

The segment results for the year ended 31 December 2007 (restated, note (a)) are as follows:

Business segment	**Toll roads operations RMB'000**	**Construction under Service Concessions RMB'000**	**Others RMB'000**	**Unallocated RMB'000**	**Group RMB'000**
Segment revenue	965,850	2,742,056	137,605	-	3,845,511
Segment results	583,167	23,450	112,455	-	719,072
Other income	-	-	-	11,103	11,103
Other gains - net	-	-	-	349	349
Administrative expenses	-	-	-	(50,232)	(50,232)
Operating profit	-	-	-	-	680,292
Finance income	-	-	-	9,085	9,085
Finance costs	(158,413)	-	-	8,549	(149,864)
Share of post-tax profit of jointly controlled entities	189,003	-	-	-	189,003
Share of post-tax loss of associates	(14,457)	-	971	-	(13,486)
Profit before income tax	-	-	-	-	715,030
Income tax expenses	-	-	-	-	(98,093)
Profit for the year	-	-	-	-	616,937

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

	Year ended 31 December 2008				
	Toll roads operations RMB'000	**Construction under Service Concessions RMB'000**	**Others RMB'000**	**Unallocated RMB'000**	**Group RMB'000**
Depreciation	50,786	-	1,214	4,681	56,681
Amortisation	144,546	-	2,843	-	147,389

	Year ended 31 December 2007 (restated, note (a))				
	Toll roads operations RMB'000	**Construction under Service Concessions RMB'000**	**Others RMB'000**	**Unallocated RMB'000**	**Group RMB'000**
Depreciation	33,239	-	1,262	4,153	38,654
Amortisation	143,978	-	-	-	143,978

(a) During 2007, construction management services qualified as a disclosable segment. However, the segment does not qualify as a separate segment for disclosure purposes in 2008 and comparative figures for 2007 have been restated accordingly.

Segment assets consist primarily of property, plant and equipment, construction in progress, concession intangible assets, prepaid lease payments, inventories, trade and other receivables, restricted cash and cash and cash equivalents. Unallocated assets comprise investments in jointly controlled entities and investments in associates.

Segment liabilities comprise operating liabilities. Unallocated liabilities comprise items such as taxation and borrowings.

Capital expenditure comprises additions to property, plant and equipment, construction in progress and concession intangible assets and prepaid lease payments, including those additions resulting from acquisitions through business combination.

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

	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Assets	10,671,147	4,083,400	143,344	3,365,687	18,263,578
Liabilities	798,991	1,036,801	41,979	8,633,666	10,511,437
Capital expenditure	392,884	3,178,980	3,408	43,524	3,618,796

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2008 as follows:

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities	14,897,891	1,877,771
Unallocated:		
Property, plant and equipment	364,102	-
Investment properties	18,132	
Construction in progress	68,378	-
Investments in jointly controlled entities	1,212,980	-
Investments in associates	1,264,681	-
Cash and cash equivalents	271,632	-
Trade and other receivables	159,490	-
Derivatives financial instruments	6,292	-
Other payables	-	161,965
Current income tax liabilities	-	58,716
Deferred income tax liabilities	-	390,279
Current borrowings	-	1,118,976
Non-current borrowings	-	6,903,730
Total	18,263,578	10,511,437

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

	Toll roads operations RMB'000	Construction under Service Concessions RMB'000	Others RMB'000	Unallocated RMB'000	Group RMB'000
Assets	7,785,614	3,889,961	172,177	2,863,641	14,711,393
Liabilities	391,260	432,585	30,602	6,250,421	7,104,868
Capital expenditure	232,993	6,991,717	3,574	123,064	7,351,348

Segment assets and liabilities are reconciled to the Group's assets and liabilities at 31 December 2007 as follows:

	Assets RMB'000	Liabilities RMB'000
Segment assets/liabilities	11,847,752	854,447
Unallocated:		
Property, plant and equipment	36,642	-

	Assets	Liabilities
	RMB'000	RMB'000
Construction in progress	134,204	-
Investments in jointly controlled entities	1,423,810	-
Investments in associates	1,141,828	-
Cash and cash equivalents	88,781	-
Trade and other receivables	38,376	-
Other payables	-	138,168
Current income tax liabilities	-	27,565
Deferred income tax liabilities	-	441,741
Current borrowings	-	390,984
Non-current borrowings	-	5,251,963
Total	14,711,393	7,104,868

No geographical segment information is presented as substantially all the Group's business activities were carried out and substantially all the Group's assets are located in the PRC.

4 Expenses by nature

		Year ended 31 December	
	Note	2008	2007
		RMB'000	RMB'000
			(Restated)
Construction costs under Service Concessions	(a)	3,178,980	2,718,607
Business tax and surcharges	(b)	36,699	37,427
Employee benefit expenses		100,907	80,733
Road maintenance expenses		60,942	49,611
Depreciation and amortization		204,070	182,632
Provision for maintenance resurfacing obligations		42,640	38,763
International auditor's remuneration			
- Annual audit		1,970	1,950
- Other audit/review services		200	-
Statutory auditor's remuneration			
- Annual audit		880	990
- Other audit/review services		300	-
Rental expenses		2,713	1,678
Agency fee		5,367	3,989
Utility expenses		16,387	11,137
Management fee of toll road network		10,765	9,807
Material consumption		5,667	4,017
Transportation expenses		6,037	1,676
Other expenses		40,544	33,654
Total cost of services and administrative expenses		3,715,068	3,176,671

(a) This represents the construction costs recognised for the year associated with the construction and upgrade services provided under the Service Concessions using the percentage of completion method.

(b) The amount represents PRC business tax and surcharges levied on the Group's toll road income at RMB32,320,000 (2007: RMB30,135,000); on service income derived from the provision of construction management services income at RMB513,000 (2007: RMB3,190,000); as well as on income arising from the provision of other services at RMB3,866,000 (2007: RMB4,102,000).

Toll income of the Group is subject to the following taxes and surcharges:

- PRC business tax at 3% or 5% of toll income;
- City development tax at 1% of the PRC business tax; and
- Education supplementary fee at 3% of the PRC business tax.

5 Finance income and costs

	Year ended 31 December	
	2008	**2007**
	RMB'000	**RMB'000**
		(Restated)
Finance income		
Interest income from bank deposits	7,390	9,085
Finance costs		
Interest on bank and other borrowings	315,441	229,097
Interest on convertible bonds and corporate bonds	113,781	15,756
Less: interest expenses capitalised in construction in progress	(190,907)	(104,527)
	238,315	140,326
Other interest expense (Note a)	23,772	18,087
Other borrowing costs	2,836	326
Net foreign exchange gains	(9,663)	(8,875)
	255,260	149,864

(a) Increase due to passage of time for provision for maintenance/resurfacing obligations.

Borrowing costs of RMB190,907,000 (2007: RMB104,527,000) arising on financing specifically arranged for the construction of toll roads and related facilities were capitalised during the year and had been included in additions to construction in progress. Capitalisation rates ranged from 5.93% to 7.05% (2007: 4.86% to 6.48%) per annum were used, representing the borrowing costs of the loans used to finance the projects.

6 Income tax expense

		Year ended 31 December	
	Note	**2008**	**2007**
		RMB'000	**RMB'000**
			(Restated)
Current income tax			
- Tax on financial subsides and incentives received by the Group in prior years	(c)	39,236	-
- Current income tax		78,483	88,576
		117,719	88,576

	Note	Year ended 31 December 2008 RMB'000	2007 RMB'000 *(Restated)*
Deferred income tax			
- Deferred tax assets arising from taxable financial subsidies (Note 21)		(25,313)	-
- Origination and reversal of temporary differences		(26,149)	(7,358)
- Adjustment to enacted tax rate		-	16,875
		(51,462)	9,517
Income tax expense		66,257	98,093

(a) The New Tax Law is effective from 1 January 2008. According to the New Tax Law and the relevant regulations, the income tax rate applicable to the Company and all of its subsidiaries established in the PRC will be gradually increased to 25% over a five-year period from 2008 to 2012. The rates are 18% for 2008, 20% for 2009, 22% for 2010, 24% for 2011 and 25% for 2012.

The PRC enterprise income tax charged to the consolidated income statement had been calculated based on the assessable profits of the Company and its subsidiaries located in the PRC of the year at a rate of tax applicable to the respective companies at 18% (2007: 15%).

(b) The applicable tax rate to Mei Wah Company, a subsidiary of the Company incorporated in Hong Kong, is 17.5% (2007: 17.5%). No provision for Hong Kong profits tax has been made in the financial statements since the subsidiary has no income assessable under Hong Kong profits tax. Maxprofit Company is incorporated in the British Virgin Islands, which is not subject to profits tax.

(c) Pursuant to the results of a special examination performed on the local tax bureau of Shenzhen, which was conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance in 2008, the Group and one of its jointly controlled entity were collectively demanded by the Futian Tax Bureau in the Notice to pay PRC enterprise income tax back taxes amounting to approximately RMB60,472,000. The amount attributable to the Group is RMB57,986,000 (the "Back Taxes"). The Back Taxes were levied on certain local financial subsidies and incentives granted by local government authorities, obtained and received by the Group in previous years, which were initially exempt from income taxes according to the provisions of certain policies promulgated by the local government authorities. Such exemptions were revoked by the authorities as a result of the examination.

The Company had lodged an application to the Futian Tax Bureau for a reassessment of the computation basis of the Back Taxes, waiver of the related penalty, as well as a deferral of the payment. Subsequently, several rounds of discussion were held between the Company and the Futian Tax Bureau. According to these communications, the directors of the Company consider that the final amount of the Back Taxes would highly probable be reduced by RMB18,750,000. As of the date of approval of these financial statements, the amount of the Back Taxes, the related penalty and the exact settlement arrangements had not yet been finalised.

Accordingly, the Group had recognised a provision for the Back Taxes amounting to RMB39,236,000 as current year income tax expense in the consolidated income statement for the year ended 31 December 2008, based on the best estimate made by the directors of the Company.

In addition, as of the date of approval of these financial statements, no formal notice of such waiver of the related penalty had been issued by the Futian Tax Bureau and other relevant authorities. The amount of the related penalty could not be reasonably ascertained and had not been provided as a liability on the consolidated balance sheet of the Group as of the same date (see also Note 10).

(d) The tax on the Group's profit before tax differs from the theoretical amount that would arise using the weighted average tax rate applicable to profits of the consolidated entities as follows:

	Year ended 31 December	
	2008	**2007**
	RMB'000	**RMB'000**
		(Restated)
Profit before tax	560,785	715,030
Tax calculated at domestic tax rate of 18% applicable to profits (2007: 15%)	100,941	107,255
Tax effects of:		
Adjustment to the enacted tax rate	-	16,875
Effects on deferred income tax as a result of IFRIC 12	(4,581)	(5,685)
Amortisation of transaction costs of convertible bonds	(279)	-
Income not subject to tax	(1,987)	(18,117)
Expenses not deductible for tax purpose	1,233	20,062
Tax losses of which no deferred income tax was recognised	6,394	4,078
Share of profit of jointly controlled entities and associates	(56,254)	(41,507)
Share of losses of jointly controlled entities and associates of which no deferred income tax was recognised	6,867	15,132
Tax Levies on certain local financial subsidies received in previous years	39,236	-
Deferred income tax asset arising from PRC enterprise income tax paid on local financial subsidies received in previous years	(25,313)	-
Income tax expenses	66,257	98,093

7 Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to equity holders of the company by the number of ordinary shares in issue during the year.

	Year ended 31 December	
	2008	**2007**
		(Restated)
Profit attributable to equity holders of the Company (RMB'000)	503,195	622,392
Number of ordinary shares in issue (thousands)	2,180,700	2,180,700
Basic earnings per share (RMB per share)	0.231	0.285

The Company had no dilutive potential shares in both 2008 and 2007 and the diluted earnings per share presented is the same with basic earnings per share.

The Company issued convertible bonds with attached warrants subscription rights in 2007. Though the contingently issuable shares of the Company due to the exercise of the warrants subscription rights by the bonds holders may potentially dilute basic earnings per share in the future, the exercise price of those rights is higher than the prevailing share price of the Company as at 31 December 2008 and therefore, they had not been included in the calculation of diluted earnings per share for the year.

8 Dividends

The dividends paid in 2008 and 2007 were RMB348,912,000 (RMB0.16 per share) and RMB283,491,000 (RMB0.13 per share), respectively. The directors recommend the payment of a final dividend of RMB 261,684,000 per ordinary share, totalling RMB 0.12. Such dividend is to be approved by the shareholders at the 2008 Annual General Meeting. This proposed dividends was not reflected as a dividend payable in these financial statements, but will be reflected as an appropriation of retained earnings for the year ending 31 December 2009.

	Year ended 31 December	
	2008	**2007**
	RMB'000	RMB'000
Proposed final dividend of RMB 0.12 (2007: RMB0.16) per ordinary share	261,684	348,912

9 Trade receivables

As at 31 December 2008, trade receivables of the Group was RMB166,883,000 (2007: RMB152,560,000). As at 31 December 2008 and 31 December 2007, the aging analysis of trade receivables was as follows:

	As at 31 December	
	2008	**2007**
	RMB'000	**RMB'000**
Within 1 year	33,144	121,140
Over 1 year	133,739	31,420
	166,883	152,560

10、 Contingencies

(a) Project Construction Management Contracts

The Company has entered into certain project construction management contracts with government authorities. For Hengping Project, the Company had arranged a bank to issue irrevocable performance guarantees on its behalf to the Shenzhen Longgang Highway Bureau amounting to RMB15,000,000. The Company also paid a guarantee deposit of RMB9,425,000 to the authority for assuring the progress, quality and safety standards for the construction of the Hengping Project.

For Nanping (Phase II) and Shenyun Project, the Company had arranged with banks to issue irrevocable performance guarantees on its behalf to the Shenzhen Communications Bureau amounting to RMB50,000,000 and RMB1,000,000 respectively.

On 8 December 2004, the Company signed a construction contract ("the Contract") with Shenzhen Pengcheng Construction Company Limited ("Shenzhen Pengcheng") for Nanping (Phase I). As disputes concerning the unit prices of some items under the Contract arose that were not resolved by mutual agreement, Shenzhen Pengcheng applied for arbitration to Shenzhen Arbitration Commission against the Company in 2008. As of the date of approval of these financial statements, the arbitration process was still in progress. The directors had sought advice from the legal counsel and concluded that the result of the arbitration would not lead to any significant adverse impact on the Company's operating results.

(b) Penalty on Back Taxes

As explained in Note 6(c), the Group had been demanded by the Futian Tax Bureau to pay certain Back Taxes. The Group had lodged an application for a reassessment of the amount of the Back Taxes and a wavier of the related penalty. As of the date of approval of these financial statements, no formal notice of such reassessment/waiver had been issued by the Futian Tax Bureau and other relevant authorities. The directors of the Company had made a provision for the Back Taxes liabilities as of 31 December 2008 in the amount of RMB39,236,000 based on their best estimate. However, the amount of any related penalty could not be ascertained with reasonably certainty.

11 Reconciliation of financial statements

The Group has prepared its PRC statutory financial statements for the year ended 31 December 2008 in accordance with the CAS. The differences between the financial information prepared under the CAS and HKFRS are summarised as follows:

	Profit attributable to equity holders of the Company for the year ended 31 December 2008 RMB'000	Capital and reserves attributable to the Company's equity holders as at 31 December 2008 RMB'000
As per PRC statutory financial statements	503,195	7,004,893
Impact of HKFRS adjustments:		
- Revenue and profit recognition for construction services and amortisation of concession intangible assets	-	42,465
	-	42,465
As restated after HKFRS adjustments	503,195	7,047,358

ANNUAL RESULTS AND DIVIDENDS

In accordance with HKFRS, during the Reporting Period, the Group recorded a revenue of RMB4,242,041,000 (2007: RMB3,845,511,000), representing an increase of 10.31% as compared to the year 2007. Profit attributable to equity holders of the Company during the Reporting Period amounted to RMB503,195,000 (2007: RMB622,392,000), whereas earnings per share was RMB0.231 (2007: RMB0.285), representing a decrease of 19.15% as compared to the year 2007.

The Board recommended the payment of a final dividend of RMB0.12 per share to all shareholders (2007: RMB0.16 per share), totaling RMB261,684,000, for the year ended 31 December 2008. Such dividend shall be subject to approval by shareholders at the 2008 annual general meeting of the Company. The date of annual general meeting, the book closing period, the record date for dividend payment, dividend payment procedures and payment date will be notified separately.

MANAGEMENT DISCUSSION AND ANALYSIS

1. Business Review and Analysis

(1) Toll Highway Operations

Toll highway operation and investments are the primary sources of the Group's earnings. As at the end of the Reporting Period, the Group operated and invested in 16 toll highway projects in the Shenzhen region, other regions in Guangdong Province and other provinces in China.

Basic operating performance of each toll highway during the Reporting Period is as follows:

Toll highway	Percentage of interests held by the Group	Percentage of revenue consolidated	Average daily mixed traffic volume (number of vehicles in thousands)		Average daily toll revenue (RMB'000)	
			The Period	Change as compared to 2007	The Period	Change as compared to 2007
Shenzhen Region:						
Meiguan Expressway	100%	100%	93	-5.6%	792	-12.3%
Jihe West	100%	100%	68	2.9%	937	-0.8%
Yanpai Expressway	100%	100%	32	21.2%	407	10.0%
Yanba Expressway	100%	100%	14	11.1%	196	13.3%
Nanguang Expressway Note①	100%	100%	16	N/A	176	N/A
Jihe East	55%	—	91	2.6%	1,227	6.7%
Shuiguan Expressway	40%	—	106	2.9%	1,006	4.3%
Shuiguan Extension	40%	—	28	0.6%	179	-1.6%
Other Regions in Guangdong Province:						
Yangmao Expressway	25%	—	18	11.9%	902	-1.2%
Guangwu Project	30%	—	9.8	6.8%	265	-0.4%
Jiangzhong Project	25%	—	45	14.8%	652	12.0%
GZ W2 Expressway	25%	—	9.6	59.7%	301	66.8%
Qinglian Project Note②	76.37%	100%	15	-19.4%	195	-23.5%
Other Provinces in the PRC:						
Wuhuang Expressway	55%	—	29	4.7%	1,017	-3.3%
Changsha Ring Road	51%	—	6	4.0%	61	-1.7%
Nanjing Third Bridge	25%	—	18	9.2%	640	1.7%

Notes:

① The main route of Nanguang Expressway commenced operation on 26 January 2008.

② During the Reporting Period, as Qinglian Class 1 Highway is undergoing reconstruction into an expressway, it allowed limited opening to traffic. Accordingly, operational statistics of Qinglian Project (including Qinglian Class 1 Highway and Qinglian Class 2 Road) are for reference only.

During the Reporting Period, traffic volumes and toll revenues on most of the Group's toll highways maintained growth, but the growth saw a remarkable slowdown as compared to the rapid growth in the past two years. In 2008, the factors generally affecting the operating performance on the toll highways mainly include:

A slowdown in macro economic growth: The national economy continued to post growth but saw a slowdown in growth rate in 2008. A majority of economic benchmarks that reflect traffic demand such as cargo turnover, passenger turnover and port throughput showed marked slowdowns in their growth rates, and certain benchmarks even showed declines. Entering the second half of 2008, the impact of the financial tsunami on China's real economy gradually unfolded, which could be reflected in a significant decrease in the demand of processing trade and logistics in the Pearl River Delta Region. From August to December, the volume of cargo traffic on major sections in the Shenzhen region decreased by approximately 20% as compared to 2007. This created considerable pressure on the continuous growth of the Group's toll revenue in 2008. The negative impact on the Group's operating performance caused by the macro environment is expected to persist in 2009. Meanwhile, the Central Government and local government have successively begun to implement measures to expand domestic demand and boost economic growth in response to the impact of the financial crisis, and such measures are beneficial to revitalising the economy and shortening the economic revival period. However, considerable uncertainties still exist as to whether the implementation of the relevant measures will soon realise their effect and whether the market's confidence will return in the short term.

Implementation of the "Green Passage Toll Free Policy": The State had established the "Green Passage" for major transportation routes in the PRC since 2005 with a view to ensuring traffic smoothness for fresh agricultural product carrier vehicles and granting them considerable toll concession. In order to cope with the natural disasters occurring in 2008 and to ensure social stability, the State and local governments activated provisionally the "Green Passage" emergency mechanism, and upgraded the policy from toll concession to toll free and extended the implementation period to the end of 2008 (the "Green Passage Toll Free Policy"). Certain sections of the Group such as Jihe Expressway, Wuhuang Expressway, Yangmao Expressway and Nanjing Third Bridge adopted the "Green Passage Toll Free Policy" successively since early 2008. During the Reporting Period, the toll fees waived on these projects amounted to approximately RMB15,820,000, RMB29,130,000, RMB40,610,000, and RMB4,480,000 respectively. For the Group, the adoption of such policy reduced revenue for the Reporting Period by approximately RMB7,750,000 and reduced profit for the Reporting Period by approximately RMB25,318,000. Pursuant to a notice issued by the Ministry of Transport at the end of 2008, prior to the implementation of a new policy, the above-mentioned sections shall continue to waive toll fees for carrier vehicles legally transporting fresh agricultural products. Such policy is expected to considerably affect the operating performance of the Group for a certain period of time in the future.

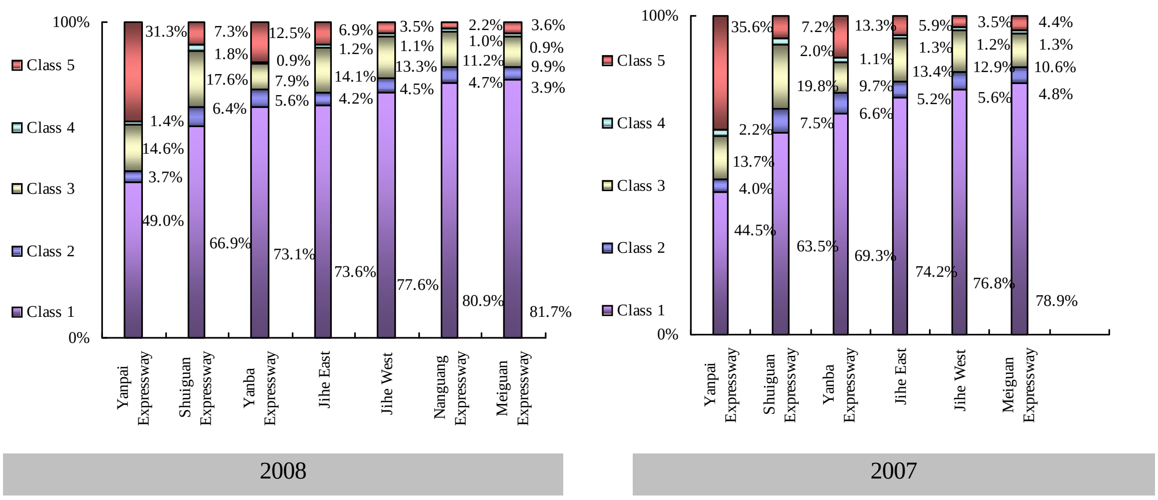
Devastating natural disasters: In 2008, there were frequent natural disasters in the PRC including rare snowstorms in south of China, serious earthquake in Sichuan and rainstorms in southern China. These natural disasters not only impeded the overall economic development, but also caused direct losses in assets and revenues to highways in the affected areas. The rainstorms and snowstorms in early 2008 caused road closure and traffic jam during certain periods to Wuhuang Expressway, Changsha Ring Road and Nanjing Third Bridge and therefore decreased toll revenues of approximately RMB6,300,000, RMB1,140,000 and RMB4,370,000 respectively. Continuous rainstorms in Guangdong region in June suppressed a certain degree of traffic demand on the relevant highways. In general, the impact of these disasters on the toll highway operation was temporary and the highway projects operated and invested by the Group that were directly affected by the disasters were relatively few. As a result, the disasters had merely slight effect on the operating results during the Reporting Period.

Change in road networks: Operating performances of toll highways were affected by the competitive or synergistic changes in the neighbouring road networks as well as maintenance and repair works on neighboring roads. During the Reporting Period, the following sections were affected positively or negatively to various degrees due to changes in their respective road networks:

- Meiguan Expressway: Fulong Road (a municipal road paralleling Meiguan Expressway) opened to traffic at the end of 2007 and it caused certain traffic diversion from Meiguan Expressway. In addition, Guanshen Expressway (Dongguan-Shenzhen) which is connected with Meiguan Expressway was partly closed for large-scale road surface maintenance works from October 2007 to May 2008. During such period, Class 4 and Class 5 vehicles were prohibited from travelling on Guanshen Expressway. The maintenance works also affected the traffic efficiency of the neighbouring roads and led to decreases in traffic volume and toll revenue of Meiguan Expressway in such period. Together with the impact of a slowing growth rate of the macro economy in the second half of the year, average daily traffic volume and toll revenue of Meiguan Expressway in 2008 decreased by 5.6% and 12.3% respectively as compared to 2007.
- Jihe West: The opening to traffic of Fulong Road had negative impact on average daily toll revenue of Jihe West by approximately RMB33,000, accounting for approximately 3.5% of its revenue.
- Jihe East, Yanpai Expressway, Shuiguan Expressway: The construction of Shenzhen Metro Line 3 and the reconstruction of G205 (Shenzhen Section) affected the traffic capacity of roads nearby, which led to increases in vehicles travelling on Jihe East, Yanpai Expressway and Shuiguan Expressway, thereby resulting in a certain degree of increases in revenues of these expressways.
- Yanba Expressway: In the first half of 2008, the construction of Shenyan Pathway 2 reduced east-bound traffic of small vehicles, affecting to a certain extent the revenue of Yanba Expressway. After its completion and opening to traffic on 4 July 2008, Shenyan Pathway 2 improved the neighbouring road networks of Yanba Expressway, providing convenience for Shenzhen residents to travel to the eastern coast for leisure and vacation, and leading to significant increases in traffic volume and toll revenue of Yanba Expressway in the second half of 2008.
- Nanguang Expressway: During 2008, following the completion of the remaining construction works and the gradual enhancement of neighbouring ancillary facilities, average daily toll revenue of Nanguang Expressway increased from approximately RMB67,000 at the initial stage of its operation to approximately RMB220,000 at the end of the Reporting Period. As Nanping (Phase II) was still under construction, Nanguang Expressway's function as a traffic passageway from North to South in western Shenzhen has not materialised. In regard to this, apart from striving to push ahead with the construction progress on Nanping (Phase II), the Company has conducted specific research and analyses on the structure of neighbouring road networks and has proposed coping measures including improving the road's line position and enhancing existing travel conditions based on Nanguang Expressway's current function and characteristics.

With respect to vehicle category mix, except for Yanpai Expressway which is as a passage for Yantian Port to divert the port's traffic, vehicles on various highways in the Shenzhen region were mainly Class 1 vehicles. In general, the proportions of heavy lorries during the Reporting Period saw decreases as compared to 2007. The vehicle category mix on various major highways in the Shenzhen region is as follows:

Vehicle Category Mix of Principal Toll Highways during the Period



(2) Project Construction and Management

During the Reporting Period, the Group's toll highway projects under construction or reconstruction included Nanguang Expressway, Yanba C and the reconstruction of Qinglian Class 1 Highway into an expressway. In early 2008, the surge in prices and the shortage of construction materials and labour supply posed pressure and challenge to the cost control of project construction. Meanwhile, the snowstorms and continuous rainstorms in the first half of 2008 had affected the progress of projects to a certain degree. The Group stepped up efforts in managing and motivating construction management staff and professionals; further enhanced the on-site management; integrating the methods of objective management and process management, thereby achieving the objectives pre-set in early 2008 and laying a foundation for the Group's development in the next stage.

As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB2.57 billion (end of 2007: RMB2.03 billion) had been utilised on Nanguang Expressway, accounting for 85.4% of the Company's budget. The main route of Nanguang Expressway was completed and opened to traffic in January 2008. Along the not-yet-opened road section located at south of the toll station of the Xili main route, construction works on the Tang'ao tunnel section and the elevated bridge section of Tongle Road were completed at the end of October 2008, realising a direct connection of the starting point with local roads.

As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB610 million (end of 2007: RMB340 million) had been utilised on Yanba C, accounting for approximately 88.5% of the Company's budget. The main works of Yanba C were completed in November 2008 and is scheduled to open to traffic concurrently with Huizhou Renbai Expressway (Renshan, Huizhou - Baisha, Shenzhen, also referred as Huishen Coastal Expressway).

As at the end of the Reporting Period, an aggregated investment amount (on accounting recognition basis) of approximately RMB4.27 billion (end of 2007: RMB1.68 billion) had been utilised on Qinglian Project, accounting for approximately 69.8% of the Company's budget. The road surface works for the reconstruction of Qinglian Project into an expressway (approximately 190 km) were completed in December 2008 and Qinglian Project has resumed full opening to traffic. Currently, the closure works for such reconstruction is still underway. Qinglian Project is expected to adopt Class 1 highway toll rates in the coming three to six months. Under the original plan and design, the to-be-constructed Erguang Expressway would intersect with Qinglian

Expressway, and accordingly, Lianzhou to Fengbu Section of Qinglian Project ("Liannan Section") would not need to be reconstructed into an expressway. Nevertheless, the planning of Erguang Expressway has now been changed. The Board of the Company has approved the corresponding adjustment of the reconstruction scale of Qinglian Project, which means the reconstruction of Liannan Section into an expressway. Such adjustment of the line position planning is expected to increase capital expenditure by approximately RMB980 million and the relevant construction work is scheduled to be completed within two years. The Group will strive to control costs through better design and strengthened construction management. It will also endeavour to enhance the traffic capacity of the Liannan Section during the construction period through measures such as construction schedules management and rational traffic arrangement. As the total length of Qinglian Expressway will increase by approximately 27 km on the original basis, and the reconstruction of Liannan Section into an expressway has no impact on the time arrangement of the commencement of operation of the main route of Qinglian Expressway, the reconstruction work is not expected to have material impact on the overall operating performance and valuation of Qinglian Project.

(3) Entrusted Management Business

In November 2007, the Company was entrusted by the government as the project administrator of Nanping (Phase II) and Shenyun Project. The Company will be responsible for the management of the construction drawing design stage of the projects, as well as the construction management of the projects during the construction preparation stage, the construction stage and the defect liability stage (excluding land requisition, demolition and relocation). The confirmed total budget of the Shenyun Project amounted to approximately RMB120 million. The total investment in Nanping (Phase II) is expected to be RMB4 billion and will depend on the design budget which is finally approved. As at the end of the Reporting Period, approximately 10% of the contracted works of Shenyun Project was completed. As certain works of land requisition, demolition and relocation on Nanping (Phase II) have not completed, construction works have not fully commenced yet.

In line with the government's proposal to include part of Hengping Class 1 Highway into the planning for Outer Ring Expressway, the Company suspended the construction of Hengping Project in accordance with the notice from the entrusting party in the first half of 2006. In February 2008, the Company resumed the construction of two of the contracted sections of Hengping Project as requested. The total budget for such part of construction amounted to approximately RMB280 million and these sections were completed and opened to traffic in the year.

During the Reporting Period, the Company finished certain preliminary works on Coastal Expressway (Shenzhen Section), and actively communicated with the Shenzhen Municipal Government with reference to the results of the preliminary works for a decision on the detailed investment and construction plan. As the design standard is high and the project needs to take into account social development and public interests, it is estimated that the total investment of the project would exceed RMB10 billion. This project cannot satisfy the requirement of return on normal commercial investment. Currently, the Shenzhen Municipal Government has agreed in principle to have Coastal Expressway (Shenzhen Section) as a wholly-state-owned invested project, and to entrust the Company to take up the construction, operation, maintenance and management of the project. The Board of the Company has agreed in principle to be entrusted to take up the relevant management of this project. The details of entrustment and the rights and obligations of both parties are still in the process of negotiation and investigation and will be finalised upon the fulfillment of approval procedures by both parties as required. As at the end of the Reporting Period, the feasibility research report, environment evaluation report and project proposal work of Coastal Expressway (Shenzhen Section) have been approved by the relevant responsible departments. Approximately 88% of the land requisition, demolition and relocation work as well as the procedures regarding the use of land and sea for the project were completed.

During the Reporting Period, the Company accepted the entrustment of Shenzhen International group to take up the operation and management of Longda Expressway by means of equity management. The term of the entrusted management commenced on 8 January 2008 and will expire on 31 December 2009. By the transaction, the Company will leverage ten years of professional experience and strength of the Company in operation and management of toll highways, export the management experience and gain reasonable income and returns. In addition, the Company will enhance the traffic efficiency of the transportation network in Shenzhen area through strengthening the operation and management of Longda Expressway and reduce operating risk and enhance the operating efficiency by consolidating Longda Expressway into one unified toll network, which in turn will result in mutual benefits of both parties.

(4) Project Investment and Development

To meet the needs caused by rapidly increase in traffic flows on the roads of Shenzhen region, the Group is now studying expansion plans for Meiguan Expressway and Shuiguan Expressway, and the construction plan for Coastal Expressway Airport Feeder. Meiguan Expressway is planned to be fully expanded to two-way eight lanes according to the feasibility research report of the project. Currently, the preliminary design of expansion of Meiguan Expressway has been completed and the construction drawing design is being proceeded with. As for Shuiguan Expressway, Qinglong Company is responsible for its expansion and reconstruction. As at the end of the Reporting Period, the feasibility research report of the project has been assessed and the approval procedures of the project are underway. During the Reporting Period, the draft feasibility research report of Coastal Expressway Airport Feeder was finished. As there are considerable uncertainties in the planning of the neighbouring road networks, the approval work for the report was temporarily halted. The Company will pay close attention to the planning of road networks and maintain good communication with the government authorities and will timely push ahead the progress of the preliminary work of this project.

In addition, the Company is proactively pushing ahead various preliminary works for Outer Ring Expressway, including revising the feasibility research report of the project, obtaining approval on the environmental impact evaluation report and obtaining pre-approval on its land use. The Company will conduct rational arrangements to proceed on the project and will fulfill appropriate approval procedures with reference to the overall work arrangement and the actual status of the Group’s human resources and financial resources.

In recent years, the Group will appropriately build up highway project resources based on the Group’s development strategy plan. It will also make investment decision in a prudent and practical manner based on various factors, including an adequate assessment on the impact of such investment on the Company’s overall development, the compatibility with the Company’s strategic objectives and the security level of the Company's financial resources.

2. Financial Review and Analysis

During 2008, the Group’s operating results were basically in line with the Company’s expectation. Profit attributable to equity holders of the Company (“Profit”) amounted to RMB503,195,000 (2007 restated: RMB622,392,000) with earnings per share being RMB0.231, representing a decrease of 19.15% over 2007.

Since 1 January 2008, the Group has adopted IFRIC 12 in preparing the financial statements under HKFRS. The Group changed its accounting policies and made retrospective adjustments pursuant to IFRIC 12, which led to a significant increase in revenue and operating costs of the Group for the Reporting Period and the previous years; a decrease of RMB357,138,000 in capital and reserves attributable to the Company’s equity holders (“Shareholders’ equity”) as at 31 December 2007; a drop of RMB76,441,000 in Profit for the Reporting Period. Such changes and adjustments had no material impact on the total assets, financial position and profitability of the Group as a whole. Please refer to the following explanation in “Adoption of IFRIC 12 and Changes in Major Accounting Policies” for details. After deducting the impacts of the downward adjustment to Profit of RMB15,290,000 in the Reporting Period due to further payment of enterprise income tax and the upward adjustment to deferred income tax liabilities of RMB67,596,000 added as well as the asset impairment provision for Changsha Ring Road of RMB66,750,000 in 2007, Profit for the Reporting Period decreased by 31.48% as compared to 2007.

During the Reporting Period, affected by factors including slowdown in the growth rate of the macro economy, adoption of the “Green Passage Toll Free Policy”, maintenance and repairs on connecting highways and changes in the road network, as well as the increase in operating costs arising from inflation, the toll revenue from the toll highways operated and invested in by the Group showed a slowdown in its growth as compared to 2007, and profit from toll highways decreased considerably. Profit from entrusted construction management services recognised during the Reporting Period decreased significantly over 2007. After Nanguang Expressway commenced operation, relevant borrowing interests had ceased capitalisation, which caused a significant increase in the Group’s finance costs over 2007. All of the factors mentioned above led to a decrease in the Group’s operating results for the Reporting Period over 2007.

(1) Analysis of Operating Results

1) Revenue

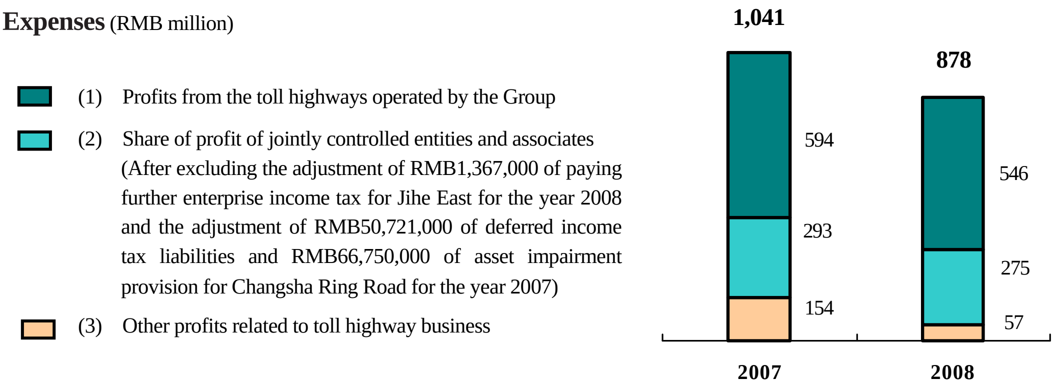
During the Reporting Period, the Group recorded a revenue of RMB4,242,041,000, representing an increase of 10.31% over 2007. Revenue from construction services under concession arrangements and toll revenue are the two main sources of revenue of the Group upon the adoption of IFRIC 12 during the Reporting Period. Out of this amount, revenue from construction services under concession arrangements recorded an increase of 15.93% over 2007 while toll revenue recorded a slight increase of 1.96%. A detailed analysis of revenue is as follows:

Revenue item	2008 (RMB’000)	Percentage	2007 (RMB’000) (Restated)	Percentage	Change
Revenue from construction services under service concession arrangements	3,178,980	74.94%	2,742,056	71.30%	15.93%
Toll revenue	984,818	23.22%	965,850	25.12%	1.96%
Income from entrusted management services	34,548	0.81%	102,250	2.66%	-66.21%
Other income (including income from advertising)	43,695	1.03%	35,355	0.92%	23.59%
Total	**4,242,041**	**100.00%**	**3,845,511**	**100.00%**	**10.31%**

2) Earnings before Interests, Tax and Administrative Expenses

During the Reporting Period, the Group’s earnings before interests, tax and administrative expenses amounted to RMB876,884,000 (2007 restated: RMB923,677,000), representing a decrease of 5.07% over 2007. After deducting the impacts of the adjustment of RMB1,367,000 of paying further enterprise income tax for Jihe East for the year 2008 and upward adjustments to deferred income tax liabilities of jointly controlled entities of RMB50,721,000 and the asset impairment provision for Changsha Ring Road of RMB66,750,000 for the year 2007, the Group’s earnings before interests, tax and administrative expenses recorded a decrease of 15.65% over 2007. Profit contributions from principal operations are as follows:

Earnings before Interests, Tax and Administrative Expenses (RMB million)



a) Profits from Toll Highways Operated by the Group

Toll highway	Percentage of interests held	Toll revenue		Operating costs			Gross margin		Profits before interests, tax and administrative expenses	
		The Period (RMB'000)	Change	The Period (RMB'000)	Including: provision for maintenance /resurfacing obligations ** (RMB'000)	Change	The Period	Change in pct. pt.	The Period (RMB'000)	Change
Meiguan Expressway	100%	289,795	-12.08%	70,022	-	0.26%	75.84%	-2.97	212,469	-17.09%
Jihe West	100%	343,056	-0.55%	87,138	21,609	8.99%	74.60%	-2.22	246,545	-5.17%
Yanba Expressway	100%	71,603	13.58%	59,701	8,403	11.10%	16.62%	1.86	9,881	62.34%
Yanpai Expressway	100%	148,950	10.26%	68,967	12,628	15.05%	53.70%	-1.93	75,594	6.05%
Nanguang Expressway	100%	59,927	N/A	49,384	-	N/A	17.59%	N/A	8,667	N/A
Qinglian Project	76.37%	71,487	-23.25%	75,919	-	-14.77%	-6.20%	N/A	-7,350	N/A
Total		**984,818**	**1.96%**	**411,132**	**42,640**	**16.62%**	**58.25%**	**-5.25**	**545,808**	**-8.09%**

* After adoption of IFRIC 12, the government grants obtained for Yanba Expressway and Yanpai Expressway were treated as payment commitment given by granter on partial investment under service concession arrangements, and was no longer included in subsidy income.

** Please refer to the explanation in the following section of "Operating Costs" for details of the provision for maintenance/resurfacing obligations.

◆ Toll revenue

During the Reporting Period, the Group recorded a toll revenue of RMB984,818,000, representing an increase of 1.96% over 2007, of which Nanguang Expressway recorded a toll revenue of RMB59,927,000 for the year after it commenced operation on 26 January 2008. As Qinglian Project is undergoing a period of reconstruction into an expressway, toll revenue decreased by 23.25% due to construction works. Revenue on other toll highways as a whole recorded a decrease of 2.21% over 2007, which was mainly due to a decrease of 12.08% in toll revenue on Meiguan Expressway caused by maintenance works on a connecting highway and changes in the road network, as well as overall decreases in toll revenues from other toll highways due to the impact of the macro economy.

◆ Operating costs

During the Reporting Period, operating costs for the Group's toll highways rose by 16.62% to RMB411,132,000 over 2007. Of which, an increase of RMB49,385,000 in operating costs was caused by the commencement of operation of Nanguang Expressway, while that of Qinglian Project, which is undergoing a period of reconstruction into an expressway, recorded a decrease of 14.77% in operating costs for the Reporting Period over 2007 with a decrease in traffic volume. Operating costs for other toll highways rose 8.49% as compared to 2007, which was mainly attributable to the expansion in the scale of the maintenance works on highways and increases in costs fuelled by inflation. Besides, the Group made provisions for maintenance/resurfacing obligations for Jihe West, Yanba (A&B) and Yanpai Expressway during the Reporting Period in accordance with the relevant requirements of IFRIC 12 and the large-scale maintenance work plan for the Group's principal toll highways. A detailed analysis of operating costs is as follows:

Operating costs item	2008 (RMB'000)	Percentage	2007 (RMB'000) (Restated)	Percentage	Change
Employee expenses	64,567	15.70%	48,862	13.86%	32.14%
Road maintenance expenses	103,794	25.25%	88,375	25.07%	17.45%
Including: provision for maintenance/resurfacing obligations	*42,640*	*10.37%*	*38,763*	*11.00%*	*10.00%*
Depreciation and amortisation	195,332	47.51%	177,217	50.27%	10.22%
Other operating costs	47,439	11.54%	38,092	10.80%	24.54%
Total	**411,132**	**100%**	**352,546**	**100%**	**16.62%**

As the expansion works on Meiguan Expressway is scheduled to commence in 2009 while Nanguang Expressway is in the preliminary phase of operation and Qinglian Project is undergoing a period of reconstruction into an expressway, no provision for maintenance/resurfacing obligations were made to these projects during the Reporting Period. Please refer to the explanation in the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details of provision for maintenance/resurfacing obligations.

◆ **Profit and gross margin**

Affected by decreases or slowing growth rates in toll revenues and rising operating costs, profits from toll highways operated by the Group for the Reporting Period slipped by 8.09% to RMB545,808,000 over 2007. As Qinglian Project is incurring loss during the period of reconstruction into an expressway and the current gross margin of Nanguang Expressway, which is in its preliminary phase of operation, was relatively low, the overall gross margins of the toll highways operated by the Group were diluted to a certain extent, thereby leading to a drop of 5.25 percentage points in the overall gross margin during the Reporting Period. In future, with Qinglian Expressway's full commencement of operation, gradual enhancement of the relevant road network as well as growth in traffic volumes on the new projects, the overall profitability of the toll highways operated by the Group is expected to resume and increase.

b) Share of Profit/Loss of Jointly Controlled Entities and Associates

During the Reporting Period, the Group's share of profit of jointly controlled entities and associates amounted to RMB274,373,000 (2007 restated: RMB175,517,000), representing an increase of 56.32% as compared to 2007. After deducting the impact of the adjustment of RMB1,367,000 of paying further enterprise income tax for Jihe East for the Reporting Period and upward adjustment to deferred income tax liabilities of jointly controlled entities of RMB50,721,000 and the asset impairment provision for Changsha Ring Road of RMB66,750,000 for the year 2007, the Group's share of profit of jointly controlled entities and associates decreased by 5.89% as compared to 2007. During the Reporting Period, affected by a slowdown in the growth rate of the macro economy and the implementation of the "Green Passage Toll Free Policy", toll revenues from the toll highways operated by the Group's invested enterprises saw a slowing growth rate as compared to 2007. Meanwhile, impacted by the increases in operating and finance costs, the investment gain of the Group saw a slight decrease over 2007. The "Green Passage Toll Free Policy has accounted for a negative impact on the Group's share of profits from the sections including Yangmao Expressway, Wuhuang Expressway, Jihe East and Nanjing third Bridge amounting to RMB22,892,000. A detailed analysis of share of profit/loss of jointly controlled entities and associates is as follows:

Principal toll highway	Percentage of interest held	Toll income		Operating costs of toll highways		Gross margin of toll highways		Profit/loss attributable to the Group	
		2008 (RMB'000)	Change	2008 (RMB'000)	Change	2008	Change in pct. Pt.	2008 (RMB'000)	Change in amount (RMB'000)
Jointly controlled entities:									
Jihe East	55%	449,179	6.96%	*130,990	9.56%	70.84%	-0.69	125,026	-4,110
Wuhuang Expressway	55%	372,265	-3.05%	**169,765	0.90%	54.40%	-1.78	***80,593	-13,083
Changsha Ring Road	51%	22,959	2.09%	23,027	0.06%	N/A	N/A	2,316	676

Principal toll highway	Percentage of interest held	Toll income		Operating costs of toll highways		Gross margin of toll highways		Profit/loss attributable to the Group	
		2008 (RMB'000)	Change	2008 (RMB'000)	Change	2008	Change in pct. Pt.	2008 (RMB'000)	Change in amount (RMB'000)
Associates:									
Shuiguan Expressway	40%	368,187	4.55%	80,765	6.51%	78.47%	-0.40	83,565	1,544
Yangmao Expressway	25%	330,246	-0.91%	138,063	-3.27%	57.17%	1.02	19,245	1,195
Jiangzhong Project	25%	238,555	12.33%	142,666	11.45%	40.20%	0.47	-6,199	428
Nanjing Third Bridge	25%	234,293	2.01%	105,398	-2.22%	55.01%	1.95	-6,768	-2,728
Guangwu Project	30%	96,983	-0.13%	49,151	1.17%	49.32%	-0.65	-3,418	-1,296
GZ W2 Expressway	25%	110,330	67.28%	68,117	38.54%	38.26%	12.81	-21,767	1,212
Shuiguan Extension	40%	65,478	-1.38%	30,572	10.44%	53.31%	-5.00	256	-3,006
Total		**2,288,475**	**4.82%**	**938,514**	**5.38%**	**58.99%**	**-0.22**	*****272,849**	**-19,169**

* Operating costs for Jihe East include a provision of RMB35,239,000 (2007: RMB32,035,000) made for maintenance/resurfacing obligations pursuant to the relevant provision of IFRIC 12. As the expansion work on Shuiguan Expressway is scheduled to commence, expenses for large-scale maintenance works on Wuhuang Expressway have already been included in entrusted management fees, and other highways are still in the preliminary phase of operation or such expenses are not significant, no provision of maintenance/resurfacing obligations were made for such highways.

** The operating costs for Wuhuang Expressway recorded a decrease of RMB19,229,000 (2007: RMB22,496,000) due to changes in the amortisation method of intangible assets under concession to align the accounting policy to be consistent with the Group. Please refer to the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details of changes in the amortisation method. Meanwhile, pursuant to the requirements of the New Tax Law, income tax on foreign shareholder's dividend from Magerk Company calculated with reference to the Group's shareholding amounted to RMB4,699,000, thereby correspondingly reducing the Group's share of profit in 2008.

*** Profit from Consulting Company of RMB1,524,000 (2007: an adjustment to deferred income tax liabilities of RMB50,721,000, the asset impairment provision for Changsha Ring Road of RMB66,750,000, and a profit of RMB970,000 for Consulting Company were not included) is not included in profit/loss attributable to the Group for 2008.

c) Profits from Other Highway-related Businesses

◆ Profit from construction services under concession arrangements

The Group recognised revenues and costs from construction services under services concession arrangements for Yanpai Expressway, Nanguang Expressway, Qinglian Project, Yanba C, Outer Ring Expressway and the expansion of Meiguan Expressway within the construction periods, based on their completion percentages in accordance with the relevant requirements of IFRIC 12. The Group recognised profits from construction services based on the budgets of the projects and reasonable estimates of profitability of the construction services. During the Reporting Period, surges in construction material prices caused increases in construction costs of various projects and the Company did not recognise profits (2007:RMB23,450,000) from the construction services for the aforementioned projects during the Reporting Period. A detailed analysis of profit from construction services is as follows:

Self-construction expressway	2008 (RMB'000)			2007 (RMB'000)			Percentage of service completed	
	Revenue	Costs	Profit before tax	Revenue	Costs	Profit before tax	The Period	Cumulative
Yanpai Expressway	56,443	56,443	-	55,507	54,350	1,157	6.60%	100.00%
Nanguang Expressway	449,716	449,716	-	1,165,440	1,150,731	14,709	18.69%	85.39%
Yanba C	245,111	245,111	-	248,134	246,027	2,107	51.19%	88.53%
Qinglian Project	2,406,657	2,406,657	-	1,298,506	1,293,029	5,477	56.33%	67.47%
Jihe West	-	-	-	-25,531	-25,531	-	-	100.00%
Outer Ring Expressway	14,994	14,994	-	-	-	-	-	-
Expansion of Meiguan Expressway	6,059	6,059	-	-	-	-	6.08%	6.08%
Total	**3,178,980**	**3,178,980**	**-**	**2,742,056**	**2,718,606**	**23,450**		

- **Profit from entrusted construction management services**

  During the Reporting Period, work on the resumed section of Hengping Project, which the Company was entrusted to construct, was basically completed. Based on the reasonable estimates on the budgets and total costs of construction of the project, the Company recognised profit of RMB10,928,000 from entrusted construction management services and profits of RMB5,288,000 after deducting the management fee and business tax of the Company, in accordance with the 90% completion progress. During the Reporting Period, the government's auditing work on the total costs for Nanping (Phase I) and the estimated budget for Wutong Mountain Project were not completed and thus the Company's original estimations for these projects remained unchanged and the Company did not recognise or predict any relevant gains during the Reporting Period. In addition, as the aggregated completion progress of Nanping (Phase II) was less than 50%, results of the relevant services could not be predicted reliably. Since the Directors of the Company are of the view that future reimbursements of management expenses incurred are probable, the Company recognised revenue and costs for the Reporting Period based on actually incurred management costs of RMB8,620,000. During the Reporting Period, the Group's profits from entrusted construction management services decreased by RMB89,206,000 (2007: RMB94,494,000) as compared to 2007.

- **Profit from entrusted operation management services**

  The Company had been entrusted to manage Baotong Company and the equity interests in Longda Company held by Baotong Company since 8 January 2008. Pursuant to the terms of the entrusted operation management agreement, the Company recognised a revenue of RMB15,000,000 from entrusted operation management services and a relevant profit of RMB14,220,000 after deducting relevant costs during the Reporting Period.

3) Administrative Expenses and Finance Costs

The Group's administrative expenses for the Reporting Period increased by 7.53% to RMB54,012,000 (2007: RMB50,232,000) as compared to 2007. The Group's finance costs for the Reporting Period increased by 70.33% to RMB255,260,000 (2007 restated: RMB149,864,000) as compared to 2007. This was mainly attributable to the cessation of capitalisation for relevant borrowing interests of RMB103,597,000 upon the commencement of operation of Nanguang Expressway. Besides, as the rise in relevant interest expenses caused by provision made for maintenance/resurfacing obligations on adoption of IFRIC 12 during the Reporting Period, such expenses increased by 31.44% over 2007. A detailed analysis of finance costs is as follows:

Item	2008 (RMB'000)	2007 (RMB'000) (Restated)	Change
Interest expenses	452,994	262,940	72.28%
Including: interest expenses of provision for maintenance/resurfacing obligations	*23,772*	*18,087*	*31.43%*
Excluded: interest capitalised	(190,907)	(104,527)	82.64%
Exchange gains and others	(6,827)	(8,549)	-20.14%
Finance costs	**255,260**	**149,864**	**70.33%**

4) Income Tax and Impact of Implementation of New Tax Law

During the Reporting Period, the Group's income tax expenses amounted to RMB66,257,000 (2007: RMB98,093,000), representing a decrease of 32.45% as compared to 2007. After deducting the impacts of the upward adjustment to income tax expenses of RMB13,923,000 for 2008 and the upward adjustment to deferred income tax liabilities of RMB16,875,000 for 2007, the Group's income tax expenses decreased by 35.56% as compared to 2007, which was mainly attributable to the decrease in the Group's taxable income arising from the decrease in profits from the toll highways of the Group and profits from entrusted construction management services, as well as an increase in finance costs.

Pursuant to a notice received by the Company from Shenzhen tax authorities in February 2009, based on the results of special examination on the relevant local tax bureau in Shenzhen in 2008 conducted by the Shenzhen Finance Supervision Commissioner's Office of the Ministry of Finance, the Group and one of its jointly controlled entities shall pay further enterprise income tax of approximately RMB60,472,000 incurred from local financial subsidy income obtained in previous years. The amount attributable to the Group is RMB57,986,000. According to the current written consultation document submitted to the tax bureau by the Company and the communication result with the tax authorities, the final amount of the further tax payment of the Company would highly probable be deducted by approximately RMB18,750,000. Accordingly, the Company recognised income tax liabilities of RMB39,326,000 during the year, recognised the relevant deferred income tax assets of RMB25,313,000 based on the implied temporary difference of the further tax payment, and made upward adjustment to income tax expenses of RMB13,923,000 according to the above-mentioned situation. During the years when the above-mentioned subsidy income was received, the Company had adopted the regulations relating to the exemption of enterprise income tax on local financial subsidy income as stipulated in local regulations; and so no enterprise income tax had been recognised or considered payable for the above-mentioned subsidy income. For details of payment of further enterprise income tax by the Group, please refer to the notes 6(c) and 10 to the Financial Statements.

Furthermore, pursuant to the requirements stipulated by the New Tax Law and pertaining to the gradual transition period for the original concessionary tax rate, the original enterprise income tax rate of 15% adopted by the Company and the enterprises in which the Company invests in the Shenzhen region, as well as by certain foreign-invested enterprises in which it invests in other regions of the PRC, will be adjusted to 18% for the Reporting Period. Other enterprises which had originally adopted an enterprise income tax rate of 33% adopted a tax rate of 25% since this year. The Group's profit decreased by approximately RMB21,786,000 after a consolidated neutralisation of the above effects.

5) Profit

Due to the decreases in profits from the toll highways operated and invested by the Group and profits from entrusted construction management services, as well as the rise in finance costs during the Reporting Period, the Group realised a profit of RMB503,195,000 in 2008, representing a 19.15% decrease over 2007. After deducting the impacts of the downward adjustment to Profit of RMB15,290,000 in the Reporting Period and the upward adjustment to deferred income tax liabilities of RMB67,596,000 added as well as the asset impairment provision for Changsha Ring Road of RMB66,750,000 in 2007, Profit for the Reporting Period decreased by 31.48% as compared to 2007.

In recent years, as a higher proportion of highway assets among the Group's total assets were under construction or newly opened for operation, and such projects saw relatively low revenues or incurred losses in the short term, the Group's return on total assets, return on operating assets and return on shareholders' equity have been diluted. In furture, with the gradual enhancement of the relevant road network and the growth in traffic volumes of the Group's new projects, it is expected such projects will become the main source of mid-term to long-term profit growth of the Group, thereby increasing the overall return on assets of the Company.

	31 December 2008	31 December 2007 (Restated)	31 December 2006 (Restated)
Return on total assets ((profit+ finance expenses) / total assets)	4.19%	5.31%	6.69%
Return on operating assets ((profit+finance expenses) / year-end operating assets)	8.11%	11.64%	9.54%
Return on shareholders' equity	7.14%	9.03%	8.46%

6) Amortisation Policies of Intangible Assets under Concession and the Differences under Different Amortisation Methods

The Group's intangible assets under concession recognised under IFRIC 12 are amortised based on the units-of-usage method, i.e. based on the units-of-usage method, where the amortisation amount is calculated by the percentage of the actual traffic volumes in respective periods to the total projected traffic volume during the toll operating period. The Group conducted regular reviews on the projected traffic volumes and made corresponding adjustments to ensure reliability and accuracy of the amortisation amount.

As the toll highways operated and invested by the Group had not reached their designated saturated traffic volumes and certain toll highways were at preliminary stages of operation, the amortisation amount calculated by the units-of-usage method was lower than that calculated by the straight-line method for the Reporting Period. The amortisation difference under different amortisation methods attributable to the Group based on its equity interests was RMB194,368,000. With the growth in traffic volumes on the various toll highways in future, the above difference will gradually decrease. The adoption of different amortisation methods had no impact on the cash flows generated from various toll highway projects and thus had no impact on the valuations of various projects. Data for reference calculated for various toll highways for the Reporting Period are as follows:

Toll highway	**Percentage of interests held**	**Amortisation amount of operating rights (RMB million)**			**Amortisation difference attributable to the Company based on equity interests percentage (RMB million)**	
		Units-of-usage method 2008	**Units-of-usage method 2007**	**Straight-line method ****	**2008**	**2007**
The Company and subsidiaries:*						
Meiguan Expressway	100%	31	35	36	-5	-1
Jihe West	100%	30	30	28	2	2
Yanba (A&B)	100%	22	19	41	-19	-22
Yanpai Expressway	100%	29	27	47	-18	-20
Nanguang Expressway	100%	10	0	85	-75	0
Jointly controlled entities and associates:						
Jihe East	55%	36	34	31	3	2
Shuiguan Expressway	40%	42	40	41	0	0
Wuhuang Expressway	55%	70	66	89	-10	-12
Changsha Ring Road	51%	12	12	18	-3	-3
Yangmao Expressway	25%	63	63	90	-7	-7
Jiangzhong Project	25%	80	71	128	-12	-14
Nanjing Third Bridge	25%	54	54	111	-14	-14
Guangwu Project	30%	20	20	57	-11	-11
GZ W2 Expressway	25%	25	17	111	-22	-24
Shuiguan Extension	40%	17	17	24	-3	-3
Total					**-194**	**-128**

* Qinglian Project is undergoing a period of reconstruction into an expressway and the differences of this item was not calculated.

** Assuming the book values of the intangible assets be amortised evenly over the allowed operating periods granted by the concession grantors.

(2) Analysis of Financial Position

1) Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly intangible assets under concession in high-grade toll highways, as well as jointly controlled entities and associates investments. As at 31 December 2008, the Group's total assets amounted to RMB18,263,578,000, representing an increase of 24.15% as compared to the end of 2007. The increase was primarily owing to increased investments in the reconstruction of Qinglian Class 1 Highway into an expressway and the construction of Nanguang Expressway and Yanba C. During the Reporting

Period, the main route of Nanguang Expressway and main works of Yanba C were completed and such assets were treated as operating highway assets. It is expected that such projects will become new sources of profit for the Group in the future.

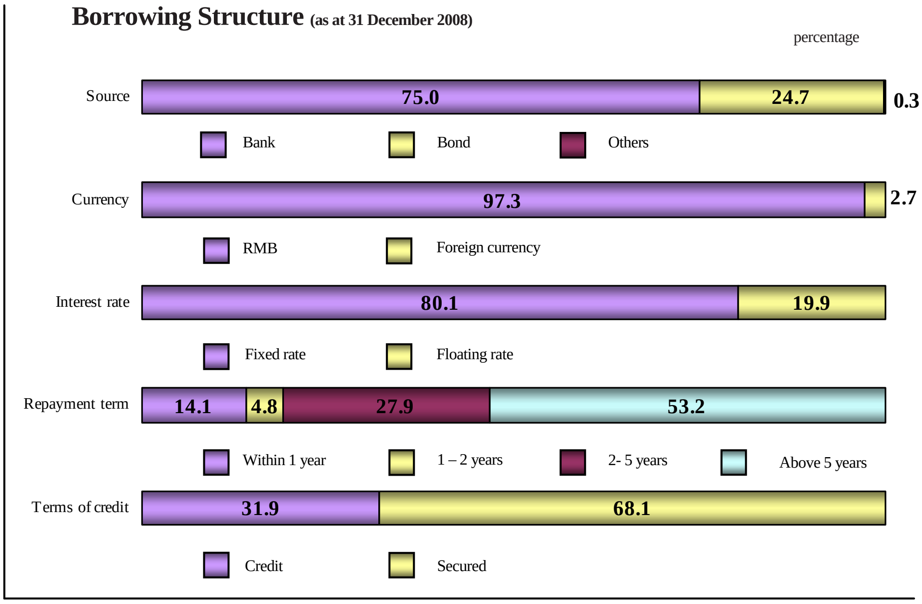
During the Reporting Period, the Group adopted IFRIC 12 and made retrospective adjustments, treating relevant operating rights of highway assets obtained under service concession arrangements as "intangible assets under concession"; treating government grants obtained for Yanba Expressway and Yanpai Expressway as consideration for construction; and making provision for maintenance/resurfacing obligations on principal toll highways. Such acts reduced Shareholders' equity and caused certain changes in classification of assets while having no material effect on the scale of total assets. Please refer to the explanation in the following section of "Adoption of IFRIC 12 and Changes in Major Accounting Policies" for details.

Item	**As at 31 December 2008 (RMB million)**		**As at 31 December 2007 (RMB million) (Restated)**		**Change**
	The Group (consolidated)	***Including: the impact of IFRIC 12***	**The Group (consolidated)**	***Including: the impact of IFRIC 12***	
Asset					
Total assets	18,264	*-498*	14,711	*-488*	24.15%
Property, plant and equipment	697	*-9,884*	345	*-7,066*	102.14%
Construction in progress	268	*-4,078*	349	*-3,859*	-23.42%
Intangible assets under concession	13,777	*13,777*	10,742	*10,742*	28.26%
Investments in jointly controlled entities and associates	2,478	*-110*	2,566	*-90*	-3.43%
Equity and Liabilities					
Shareholder's equity	7,047	*-434*	6,893	*-357*	2. 24%
Minority interest in equity	705	*1*	713	*1*	-1.21%
Borrowings*	8,023	-	5,643	-	42.17%
Deferred income tax liabilities	390	*-49*	442	*-32*	-11.65%
Provision for maintenance/ resurfacing obligations	304	*304*	238	*238*	27.94%
Government grants	-	*-321*	-	*-337*	-
Other liabilities	1,794	-	782	-	129.32%

* The borrowings stated in the table include bank loans and bonds payable, but does not include bills payable.

As at 31 December 2008, the Group's total equity amounted to RMB7,752,141,000, representing an increase of 1.91% over the end of 2007 (End of 2007 restated: RMB7,606,525,000). This was mainly attributable to the net increase of RMB154,283,000 of the profit for the Reporting Period after the deduction of dividend distributed for 2007, as well as a decrease in minority interest in equity of RMB8,667,000 due to a loss incurred in Qinglian Company.

As at 31 December 2008, outstanding bills payable, bonds payable and bank loans of the Group amounted to RMB8,036,697,000, representing an increase of RMB2,299,427,000 over the end of 2007 (End of 2007: RMB5,737,270,000), of which Qingling Project used borrowings of RMB4.056 billion. During the Reporting Period, the Company continued to maintain a reasonable and sound borrowing structure through various financing activities. Details of the financing activities are set out in "Capital / Financing" of this section.



2) Capital Structure and Debt Repayment Capability

	As at 31 December 2008	As at 31 December 2007 (Restated)	As at 31 December 2006 (Restated)
Debt-to-asset ratio (Total liabilities / Total assets)	57.55%	48.30%	32.99%
Net borrowings-to-equity ratio ((Total amount of borrowings-cash and cash equivalents) / Total equity)	96.75%	69.29%	33.17%
	Jan~Dec 2008	**Jan~Dec 2007 (Restated)**	**Jan~Dec 2006 (Restated)**
Interest covered multiple (profit before interests and tax / interest expenses))	1.82	3.16	6.34
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	2.27	3.82	7.47
Annual average borrowings / Earnings before interests, tax, depreciation and amortisation	6.71	3.86	1.53

The Company is always committed to maintaining a rational capital structure to maintain the Company's good credit ratings and solid financial position, so as to enhance shareholders' value. In recent years, the Group's various financial leverage ratios have increased significantly, mainly due to additional borrowings for investments in new projects. Given the Group's steady growths in operating results and cash flows, expected profit growth after the operation of new projects and the existing borrowing structure arrangement, the Directors of the Company are of the view that the leverage ratios remained at safe levels as at the end of the Reporting Period.

3) Liquidity and Cash Management

During the Reporting Period, amid the complex and ever-changing financial environment and monetary policies, the Company maintained the balance of current liabilities and cash reserves at safe levels. While the Company may cut its capital expenditure in the future, it still maintained sufficient banking facilities so as to strengthen the capital liquidity. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks as current or short-term fixed deposits, with no deposit in non-bank institutions or any amount applied to securities investments. Given the facts that the Group possesses a steady and abundant operating cash flow and enjoys adequate banking facilities, and that appropriate financing arrangements have been made to satisfy the needs of debt repayment and capital expenditures, the Board of the Company is of the view that there are no concerns over the Group's ongoing operation.

	As at 31 December 2008 (RMB million)	As at 31 December 2007 (RMB million)	Change
Net current liabilities	1,903	464	310.13%
Cash and cash equivalents	536	467	14.78%
Banking facilities available	6,610	8,300	-20.36%

4) Foreign-Currency Based Assets and Liabilities

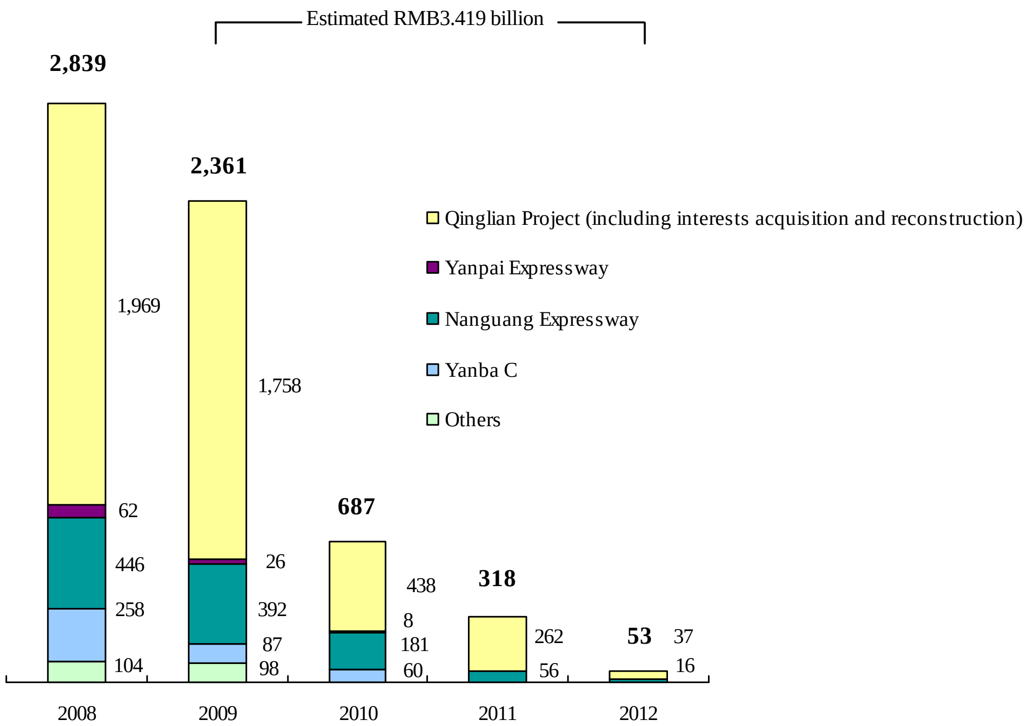
All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB10,180,000 and RMB207,329,000 worth of foreign currency-based liabilities denominated in US$ and HK$, respectively, while RMB2,906,000 worth of foreign currency-based assets were denominated in HK$, and foreign currency-based items netted off in the form of net liabilities. In June 2008, the Company applied to the bank for a loan of HK$133 million with a term of 1 year and arranged forward transaction of foreign exchange for the principal and interests upon maturity, with a view to locking the risks related to the exchange rate. It is expected that the trend of exchange rate fluctuations of RMB under the current market conditions will have no substantial impact on the Group's results.

(3) Capital / Financing

1) Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly construction investments in the reconstruction of Qinglian Class 1 Highway into an expressway, Nanguang Expressway and Yanba C, totalling approximately RMB2.839 billion. As at 31 December 2008, the Group's capital expenditure plan comprised mainly construction investments in the reconstruction of Qinglian Class 1 Highway into an expressway, Nanguang Expressway and Yanba C. It is expected that the Group's total capital expenditures will amount to approximately RMB3.419 billion by the end of 2012. The Company plans to satisfy such capital needs with its own capital reserves and through bank borrowings. According to the Directors' estimate, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan (RMB million)



Besides the aforementioned capital expenditures of the Group, in case the authorities of the Company finally approve the investment proposal on expansion of Meiguan Expressway, the Group's planned total capital expenditures will increase considerably. The Company intends to resolve the capital needs by a mix of borrowings and own capital reserves.

2) Operating Cash Flow

The toll revenues of the Group's principal toll highway operations are collected in cash, thereby giving a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totalled RMB1,345,737,000 (2007: RMB1,211,276,000), representing an increase of 11.1%. After deducting the net amount of receivables and payables of RMB200,421,000 for Coastal Expressway (Shenzhen Section), the Group's net cash inflow from operating activities and cash return on investments decreased by 5.45% over 2007, which was mainly attributable to the impacts of the slowing rates of growth of toll revenues from toll highways operated and invested by the Group and an increase in operating costs. In future, with the enhancement of relevant road networks and increases in traffic volumes and toll revenues from new projects such as Qinglian Project, it is expected that the Company's operating cash flow will further increase, thereby safeguarding the development of the Company and the maintenance of sound financial liquidity.

3) Financial Strategies and Financing Arrangements

The Company's capital expenditures have been peaking in recent years and the borrowing scale, gearing ratio and finance expenses have risen to quite high levels. As a characteristic of the toll highway industry, gains from new projects and growth in cash flow require a certain maturity period. Accordingly, the current focus of the Company's financial strategies is to maintain a reasonable and solid capital structure and ensure a safe and abundant liquidity. On this basis, the Company will appropriately reduce financing costs, thereby increasing return on equity attributable to equity holders and preventing financial risks.

With the relevant financing arrangements made in previous years, the Company increased the proportions and the scale of direct financing, fixed interest rates and medium-long term borrowings, leading to an effective control on the Company's financing and financial risks. In 2008, the debt level of the Company rose further. Affected by the global financial crisis and a slowdown in China's economic growth, the external financing environment has changed significantly. The Chinese Government has changed its monetary policy from tight to appropriately loose since the end of the third quarter of 2008 and repeatedly cut RMB basis rates; while the sentiment in the stock market continued to be sluggish, thereby increasing the difficulties in equity financing for the Company. Based on the Company's financial position and the current and predicted future status of the external environment, the Company timely adjusted and replaced the current loans and their structure, and reduced financing costs in order to safeguard financial security.

During the Reporting Period, backed by its steady and sufficient operating cash flows and good reputation, the Company continued to attain the highest ratings among various credit ratings and continued to enjoy the most favourable rates under the interest rate policy of the People's Bank of China. Affected by the rise in market interest rate, the Company's consolidated borrowing costs amounted to 5.7% during the Reporting Period, slightly higher than that of 5.307% in 2007.

As at 31 December 2008, the Group has obtained a total of RMB12.2 billion of banking facilities, of which RMB6.6 billion was specific facilities for projects under construction and RMB5.6 billion was general credit facilities. At the end of the Reporting Period, unutilised banking facilities available amounted to RMB6.6 billion, of which RMB2.3 billion was specific facilities for projects under construction and RMB4.3 billion was general credit facilities.

(4) Adoption of IFRIC 12 and Changes in Major Accounting Policies

Since 1 January 2008, the Group has adopted IFRIC 12 in preparing financial statements under HKFRS and has made comprehensive retrospective adjustments for the previous years. According to IFRIC 12, the Group accounted for the investment, construction and operation businesses as "service concession arrangements". Changes in major accounting policies and their effects include:

The Group accounted for the operating rights of relevant highway assets obtained under service concession arrangements, i.e. the rights to charge public service users, as "intangible assets under concession" in the financial statements, and measured at the fair value of the considerations received or receivable for providing concession service and amortising such considerations based on the units-of-usage method during the operation period. As for the year 2007 and previous years, they were treated as property, plant and equipment, construction in progress and land use rights, which were booked basing on actual construction expenses of toll highway projects. This accounting policy change mainly resulted in a reclassification of non-current assets and amortisation method to be adopted at the units-of usage method, and led to the increases of RMB54,078,000 and RMB53,347,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, as well as an increase of RMB731,000 in profit for the Reporting Period. This had no impact on the profit for 2007.

In accordance with HKFRS 11 "Construction Contracts", the Group recognised revenues and costs for construction services or reconstruction services provided under service concession arrangements by adopting the percentage-of-completion method. The revenues incurred in construction services provided by the Group were recognised based on the fair values of considerations received or receivable. As for the year 2007 and previous years, no revenues or costs were recognised for such construction services carried out on toll highways. This accounting policy change led to a significant increase in revenues and operating costs of the Group, the increases of RMB42,464,000 and RMB42,464,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively. This had no impact on the profit for the Reporting Period but led to an increase of RMB16,053,000 in profit for 2007.

The Group recognised the government grants obtained under service concession arrangements for Yanba Expressway and Yanpai Expressway as financial assets, which were given by the concession grantor as payment commitments of a portion of investment, and resulted in reducing the amortisation amount for the operating period. As for the year 2007 and previous years, such amounts were treated as deferred income liabilities and recognised as subsidy income during the operating period. Such accounting policy change led to decreases of RMB176,187,000 and RMB168,863,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, as well as decreases of RMB7,324,000 and RMB10,422,000 in profits for the Reporting Period and for 2007, respectively.

In accordance with HKFRS 37 "Provisions, contingent liabilities and contingent assets", the Group made "provision for maintenance/resurfacing obligations" for the obligations of highway maintenance and road surface repaving under service concession arrangements, except for those under reconstruction service. Such provisions were made based on the Group's reasonable estimates of the extent of maintenance required and the expected expenses, and the provisions were made at discounted present values thereof. Incremental provisions due to passage of time were recognised as interest expenses. As for the year 2007 and previous years, toll highways were deemed as dividable fixed assets, while reconstruction and large-scale maintenance expenses were treated as asset costs which would be amortised in future usage period. The book value of assets replaced would be expensed in the income statement. Such accounting policy change led to decreases of RMB390,418,000 and RMB312,638,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, and decreases of RMB77,780,000 and RMB66,864,000 in profits for the Reporting Period and for 2007, respectively.

For the intangible assets under concession owned by Magerk Company, the Group's jointly controlled entity - the operating rights of Wuhuang Expressway, the Group had their amortisation changed to the units-of-usage method in order to be consistent with the Group's unified accounting policies. As for the year 2007 and the previous years, such assets were amortised by the straight-line method. Such accounting policy change led to increases of RMB36,484,000 and RMB28,552,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, and increases of RMB7,932,000 and RMB9,280,000 in profits for the Reporting Period and for 2007, respectively.

To conclude, the Group's changes in certain accounting policies corresponding to the adoption of IFRIC 12 resulted in decreases of RMB433,579,000 and RMB357,138,000 in shareholders' equity of the Group as at 31 December 2008 and 31 December 2007 respectively, and decreases of RMB76,441,000 and RMB51,953,000 in profits for the Reporting Period and for 2007, respectively. Such changes had no material impact on the Group's financial position and operating results as a whole.

3. Outlook and Plans

In the long term, the overall trend of continued growth for China's economy will not change. However, in the short term, especially in 2009, China's economy will continue to be impacted by the financial tsunami, and there is a risk that the impact may escalate further. Meanwhile, during the implementation of the first five-year strategic plan, the Company has adopted active expansion strategies, and so its assets scale has expanded rapidly while its gearing ratio has risen significantly. As its neighboring road networks could not be enhanced concurrently and new projects were still in their cultivation stage, the Company is facing downward pressure on its return on net assets and net profits.

Although the macro economy will still face significant uncertainties in the short term, the Central Government and local government at various levels have successively initiated measures to expand domestic demand and boost economic growth in response to the impact of the financial tsunami, and these measures are beneficial to revitalizing economy and shortening the economic revival period. Since 2009, the State has adopted a fuel tax policy removing six charges including road maintenance charges, while oil prices have been decreasing gradually. The decrease in vehicle usage costs and the increase in traffic efficiency of expressways are beneficial to attracting more vehicles to travel on expressways. In addition, the relatively relaxed credit environment at present, the increase in financing products and a relaxation of restrained conditions recently, bring forth the opportunities for the Company to optimize capital and debt structure and reduce financing costs.

Opportunities and challenges coexist while integration synchronize with the development. To realize a sustainable and healthy development of the Company, the Group's focus of work in 2009 includes:

- **To enhance the development strategy plan.** Year 2009 is the last year of the Five-year Development Strategies of the Company. The Company will timely sum up the effect of the implementation of the strategies and the experience and lesson learnt, and thoroughly study the changes in the internal and external environments so as to issue the Company's development strategy plan for the next stage as soon as possible, and thoroughly execute work through measures including formulating sub-strategies, defining and quantifying work objectives as well as strengthening planning and management.
- **To enhance operations management standards and achieve operating profit targets.** Based on the reasonable expectation that no substantial changes will take place in the operating environment, the Group has set the total toll revenue target for 2009 at RMB1, 200 million (2008 actual amount: RMB985 million). The principal source attributable to the increase in toll revenue after the completion of road surface reconstruction on Qinglian Project. The focus of jobs during the year includes: 1) to push ahead the transformation in the toll collection mode of Qinglian Company and strengthen marketing and related jobs of the project; 2) to dedicate efforts in the preparation for the toll collection inter-network between the Shenzhen region and the Pearl River Delta region, to enhance the toll collection system and network supervision and control so as to enhance toll collection efficiency; 3) to

regulate the management mode for the agent of electrical repair and for road assets maintenance in order to enhance road traffic efficiency and capacity; and 4) to organize and arrange large-scale maintenance plan, and through adopting measures including pre-maintenance management, to effectively reduce general costs during the operating period.

- **To fully complete the management tasks for the construction projects.** In 2009, the construction tasks of the Company remain challenging. On the one hand, the Company has to effectively push ahead the construction management work of self-constructed projects including Qinglian Project and the expansion of Meiguan Expressway, as well as the entrusted construction projects including Nanping (Phase II) and Shenyun Project, striving to achieve pre-set objectives for work schedule, quality, budget and safety. On the other hand, the Company needs to complete various settlements and related follow-up work for completed projects according to the plan, and to timely launch new entrusted construction management projects as well as further enhancing the management standards of entrusted construction projects.
- **To strengthen efforts in financing, maintain a sound financial position and continuously enhance financial management standards.** On the basis of its work in 2008, the Company has proposed to the shareholders at the general meeting to grant the Board a general mandate to issue debentures denominated in Renminbi. The issue will facilitate a broadening of financing channels, a reduction in finance costs and an improvement in debt structure. In addition, the Group will launch on the following work in 2009: 1) to strengthen the planning management of capital expenditures and to increase operating cash flow and its forecast accuracy in order to ensure that capitals are timely paid and capital efficiency is enhanced; 2) to arrange loan structure in a rational manner in order to maintain sufficient banking facilities and high credit ratings; 3) to strengthen the warning system for relevant risks and to contain the relevant financial risk indicators at a reasonable level; 4) to enhance the efficiency and standards of financial management and accounting and auditing in order to achieve the annual objective, mid-term and long-term objectives.
- **To strengthen the management of assets pool in order to increase return on net assets.** Based on the current development status of the Company, the Group will step up efforts to integrate, enhance the potential of quality assets, and reduce the number of projects which have lower returns and limited growth potential or weak control capability. Through calculation, assessment unearthing and integration of existing assets as well as developing and reserving quality assets and new businesses, the Group will gradually enhance the overall return on assets and return on net assets of the Group.
- **To enhance the integral management capabilities so as to satisfy the Group's development needs.** After being awarded an accreditation of ISO9000 Quality Management System in 2008, the Company will further comply with the customer-oriented excellent performance management model, strengthen the organization's awareness of customer satisfaction and innovation activities, with a view to pursuing excellent operating performance. In accordance with "Internal Control of Enterprises – Basic Principles"(《企業內部控制基本規範》) jointly issued by the five ministries of the Central Government and in accordance with the requirements set out in various internal control application guidelines, the group will further organize and enhance its internal control regime. In addition, the Group will step up efforts in recruitment and training of talents and foster a harmonious and positive culture to effectively enhance management standards, thereby satisfying the needs of the Group's ongoing development.

USE OF PROCEEDS

The Company raised RMB604 million from the issue of A Shares in 2001. During the Reporting Period, the Company applied such proceeds on the construction of Yanba B in strict compliance with the representations made in the prospectus. An amount of RMB41,538,000 was applied during the Reporting Period and the cumulative amount of proceeds applied was RMB604,128,000. As at 31 December 2008, the proceeds have been used up.

The construction of Yanba B started in June 2001 and the major works were completed in June 2003, after its commencement of operation, it formed a local traffic network with Yanba A and steadily enhanced the traffic volume and toll revenue of Yanba Expressway. As the construction of Yanba C was delayed and the relevant road network is not yet formed, the overall road network efficiency is not fully realised for the time being. Accordingly, there are certain discrepancies between Yanba Expressway's operating gains at this stage and the estimates disclosed in the prospectus. According to the government's planning, Yanba Expressway would connect with Renbai Expressway in Huizhou City and Shenshan Expressway through Yanba C, thereby achieving full inter-connection with Guangdong Province's expressway networks. As the construction of Renbai Expressway was delayed to 2006 and after considering the operation characteristics of road network effect of expressways, the Company had postponed the construction of Yanba C (including the remaining 2-km section of Yanba B) to align with the construction schedule of Renbai Expressway so as to ensure economic and social benefits of the investment. The construction of Yanba C commenced in October 2006 and the major works were completed in November 2008. Yanba C is scheduled to commence operation concurrently with Renbai Expressway. It is estimated that following the gradual enhancement of the neighbouring road network of Yanba Expressway, the investment return of Yanba Expressway will grow further.

PURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its jointly controlled entities.

PROFILE OF SHAREHOLDERS

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, the Company had 49,819 shareholders in total, including 49,525 holders of domestic shares and 294 holders of H Shares. The information of the top ten holders of non-restricted circulating shares of the Company was as follows:

Unit: Share

Information of the top ten holders of non-restricted circulating shares		
Name of shareholder	**Number of non-restricted circulating shares held**	**Type of shares**
HKSCC Nominees Limited (Note)	687,387,098	H Share
Kingboard Investments limited	30,982,000	H Share
BOC - China AMC Sector Selected Securities Investment Fund (LOF)	12,133,698	A Share
Au Siu Kwok	11,000,000	H Share
Kingboard Chemical Holdings limited	6,936,000	H Share
CCB - Penghua Value Advantage Securities Investment Fund	6,001,272	A Share
Social Insurance Fund Portfolio 102	5,500,000	A Share
Arsenton Nominees Limited	3,000,000	H Share
CMB - SSE Dividend ETF	2,260,720	A Share
ICBC - China Universal Balanced Growth Securities Investment Fund	2,238,716	A Share

Note: The H Shares held by HKSCC Nominees Limited were held on behalf of various clients.

EMPLOYEES, REMUNERATION AND TRAINING

As at 31 December 2008, the Company and its wholly-owned subsidiaries had 1,526 employees, of whom 386 were management and professional staff while 1,140 were toll collection staff.

An employee's remuneration and benefits comprise namely monthly salary, annual performance bonus and statutory and company benefits and is based on a principle "salary is determined based on the individual staff's position salary changes with the position" and is determined according to the market value of the position and the overall performance of staff. Pursuant to statutory requirements, the Company has participated in an employee's retirement schemes which is organised by the local government authorities (social pension insurance), and has applied various protection plans such as basic medical insurance package, industrial injury insurance, unemployment insurance and child-bearing insurance for its employees. According to the relevant regulations, the Group should pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to a maximum cap) to the labor and social security authorities as social insurance contributions for items such as pension and medical insurance.

The Company values staff training. In 2008, the Company provided various kinds of themed training sessions targeting the needs of the management and professional technical staff for over a hundred times, with 959 enrollments. It also held six operational training sessions for basic-level staff, with over 600 enrollments. The internal network institute established by the Company provides over 30 types of network training courses, covering areas such as personal development, overall quality nurturing, the Company's strategy, human resources and standardized systems for staff to choose and apply on their own.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE PRACTICES

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Company has fully complied with the code provisions of the Code on Corporate Governance Practices as set out in Appendix 14 of the Listing Rules of HKEx. The codes on corporate governance currently adopted by the Company go beyond the requirements of the aforesaid code in certain aspects.

COMPLIANCE WITH THE MODEL CODE

The Securities Transaction Code of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEx headed Model Code for Securities Transactions by Directors of Listed Issuers, as written guidelines to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The standards set out in Appendix 10 to the Listing Rules of HKEx have been incorporated into the Securities Transaction Code of the Company.

After specifically inquiring with all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management complied with the standards for securities transactions by directors as stipulated under the aforesaid code during the Reporting Period.

AUDIT COMMITTEE/RESULTS REVIEW

The audit committee of the Company has reviewed and confirmed the results announcement and financial statements of the Company for the year ended 31 December 2008.

AUDITORS' PROCEDURES PERFORMED ON THIS RESULTS ANNOUNCEMENT

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2008 have been agreed by the Group's auditors, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PricewaterhouseCoopers in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers on the preliminary announcement.

DEFINITIONS

1. Names of Highway and Road Projects

Changsha Ring Road	Changsha National Highway Ring Road (Northwestern Section), located in Hunan Province
Coastal Expressway (Shenzhen Section)	The Shenzhen Section of Guangshen Coastal Expressway
Coastal Expressway Airport Feeder	The Shenzhen Airport Subsidiary of Guangshen Coastal Expressway
Guangwu Project	The Ma'an to Hekou Section of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (called Guangwu Expressway for short), located in Guangdong Province
GZ W2 Expressway	Xiaotang to Maoshan Section of national trunk highway Guangzhou Ring Road, also referred to as Guangzhou Western Second Ring Expressway, located in Guangdong Province
Hengping Project	Shenzhen Hengping Class 1 Highway (Western Section)
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan (called Jianghe Expressway for short), located in Guangdong Province
Jihe Expressway	The expressway from Shenzhen airport to He'ao in Shenzhen City, comprising Jihe East and Jihe West
Longda Expressway	The expressway from Longhua in Shenzhen City to Dalingshan in Dongguan City
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Nanjing Third Bridge	Nanjing Yangtze Third Bridge, located in Jiangsu Province
Nanping (Phase I), Nanping (Phase II)	Shenzhen Nanping Freeway (also referred to as Nanping Avenue) Phase I, main route of Nanping Freeway Phase II
Outer Ring Expressway	The Shenzhen Outer Ring Expressway
Qinglian Project	Qinglian Class 1 Highway (Qingyuan - Lianzhou), and/or Qinglian Class 2 Road (Qingyuan - Lianzhou), located in Guangdong Province
Shenyun Project	Shenyun-North Ring Interchange renovation project in Shenzhen
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue)
Wuhuang Expressway	The expressway from Wuhan to Huangshi, located in Hubei Province
Wutong Mountain Project	Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Route Checkpoint Station Project
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A, Yanba B and Yanba C
Yangmao Expressway	The expressway from Yangjiang to Maoming, located in Guangdong Province
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Route to Jihe Expressway

2. Enterprises invested

Consulting Company	深圳高速工程顧問有限公司(Shenzhen Expressway Engineering Consulting Company Limited), a company incorporated in Shenzhen City with limited liability
Magerk Company	湖北馬鄂高速公路經營有限公司(Hubei Magerk Expressway Management Private Limited), a wholly foreign-owned enterprise incorporated in Hubei Province, which owns the operating rights of Wuhuang Expressway
Maxprofit Company	Maxprofit Gain Limited, a company incorporated in British Virgin Islands with limited liability
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited, a company incorporated in Hong Kong with limited liability
Qinglian Company	廣東清連公路發展有限公司(Guangdong Qinglian Highway Development Company Limited), a Sino-foreign joint-venture enterprise incorporated in Guangdong Province, which owns Qinglian Project
Qinglong Company	深圳清龍高速公路有限公司(Shenzhen Qinglong Expressway Company Limited), a Sino-foreign joint-venture enterprise incorporated in Shenzhen City, which owns Shuiguan Expressway

3. Others

A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
Baotong Company	深圳市寶通公路建設開發有限公司(Shenzhen Baotong Highway Construction and Development Company Limited), which owns 89.93% interests in Longda Company, and is a wholly-owned subsidiary of Yibin Company
Board	The board of Directors of the Company
Bonds With Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
CAS	The Accounting Standards for Business Enterprises (2006) of the People's Republic of China
The Company, Company	Shenzhen Expressway Company Limited
Director(s)	The director(s) of the Company
The Group, Group	The Company and its subsidiaries
H Shares	Overseas-listed foreign shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx
HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC
HKEx	The Stock Exchange of Hong Kong Limited
HKFRS	Hong Kong Financial Reporting Standards
IFRIC 12	HK(IFRIC) - Int 12 "Service Concession Arrangements" issued by the Hong Kong Institute of Certified Public Accountants

Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
Longda Company	深圳龍大高速公路有限公司(Shenzhen Longda Expressway Company Limited), which owns Longda Expressway
New Tax Law	《中華人民共和國企業所得稅法》(The Enterprise Income Tax Law of the People's Republic of China), which came into effect on 1 January 2008
PRC	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
The Reporting Period, The Period, The Year	For the year ended 31 December 2008
RMB	Renminbi, the lawful currency of the PRC
Shenzhen International	Shenzhen International Holdings Limited, whose shares are listed on the main board of HKEx, the controlling shareholder of XTC Company
SSE	The Shanghai Stock Exchange
Supervisor(s)	The supervisor(s) of the Company
XTC Company	新通產實業開發（深圳）有限公司(Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司(Shenzhen Freeway Development Company Limited), a shareholder of the Company
Yibin Company	怡賓實業（深圳）有限公司(Yibin Industry (Shenzhen) Company Limited), a wholly-owned subsidiary of Shenzhen International

By Order of the Board
Yang Hai
Chairman

Shenzhen, the PRC, 2 April 2009

As at the date of this announcement, the directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Mr. Lin Xiang Ke (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Lam Wai Hon, Ambrose (Independent non-executive Director), Mr. Ting Fook Cheung, Fred (Independent non-executive Director), Mr. Wang Hai Tao (Independent non-executive Director) and Mr. Zhang Li Min (Independent non-executive Director).

This Results Announcement, which has been published on the website of HKEx at http://www.hkex.com.hk, only gives a summary of the information and particulars contained in the full Annual Report of the Company. A detailed Annual Report containing all the information to accompany annual report required by Appendix 16 to the Listing Rules of HKEx will be subsequently published on the website of HKEx at http://www.hkex.com.hk in due course.