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中翔基建集團有限公司
China Infrastructure Holdings Limited

 

Annual Report 2008

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Infrastructure

(which includes the operation and management of toll bridges and land infrastructure projects)

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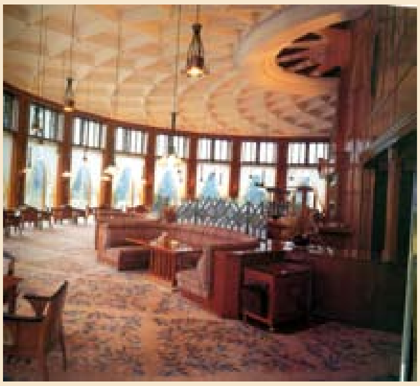



Dear Shareholders,

On behalf of the Board of Directors, I am pleased to present the annual report of China Infrastructure Holdings Limited for the financial year ended 31 December 2008 ("FY2008"). Despite the global economic crisis, our overall business operations registered a commendable performance.

Year on year, we achieved a 25.5% rise in net profit mainly due to the improvement in performance of its toll bridges and water plant development business segments and the gain from disposal of 40% of the registered and paid-up capital of Tianjin New Beitang Development Limited.

In view of the encouraging performance, the Directors have recommended a final tax-exempt dividend of 0.35 Singapore cents per ordinary share, pending approval at the forthcoming Annual General Meeting.

Operations and Financial Review

In FY2008, Group turnover increased by 4.1% to RMB43 million (FY2007: RMB41.3 million). This turnover growth was largely due to the implementation of the new toll weighting system at Zuowei Bridge, which in turn increased toll turnover by 34.3%.

During the year, cost of services provided decreased from RMB21.9 million to RMB21.4 million, due to the reduction in repairs and maintenance, as well as amortisation costs. Correspondingly, administrative expenses decreased by 25.3% to RMB8.3 million, due largely to the reduction in option expenses.

In conjunction with the revenue growth, gross profit increased from RMB19.4 million to RMB21.7 million, representing a rise of 11.3%.

Other income rose sharply by 26.4%, growing from RMB30.5 million to RMB38.5 million, mainly due to increase in interest income and gain on disposal of 40% of the registered and paid-up capital of Tianjin New Beitang Development Limited.

During the year, the Group also gained RMB0.6 million from contributions of its jointly controlled entity, CIHL (Tianjin) Water Development Company Limited which had recorded increased turnover and other income.

During the year in review, there was a decrease in cash and bank balances as the Group had placed refundable deposits of RMB160 million in relation to tender of the two potential land infrastructure development projects.

Year on year, we achieved a 25.5% rise in net profit mainly due to the improvement in performance of its toll bridges and water plant development business segments and the gain from disposal of 40% of the registered and paid-up capital of Tianjin New Beitang Development Limited.

Net cash generated from operating activities increased from RMB11.9 million to RMB39.6 million due primarily to the reduction in receivables. The net cash generated from financing activities increased to RMB68 million primarily due to the repayment from Great Wealth Finance Limited in relation to the disposal of 100% of the issued share capital of China Bridges Investments Limited.

Looking Ahead

In view of the current global economic crisis, we expect our operating environment to be challenging in the next few years as recent and future Chinese government responses to the economic climate may have impacts on our existing businesses in the future.

While mindful of the challenges ahead, we believe it is imperative to continue to seek out opportunities which could provide sustainable earning growth. We would like to assure our shareholders that the Group intends to adopt a prudent and conservative approach towards operating its core businesses and exploring new business opportunities. Nevertheless, we remain positive that the progress seen in FY2008 will pave the way for further development in FY2009. We believe that the Group is in good financial shape, and with right strategies put in place for further advancements.

These strategies include the divestment of slow-growth businesses. Disposing capital in Tianjin New Beitang Development Limited for instance, has enabled the Group to realise its investment with a profit. The proceeds will help us to shore up on cash holdings to tide us over these bleak economic times, and better enable us to seize opportunities as they arise.

Appreciation

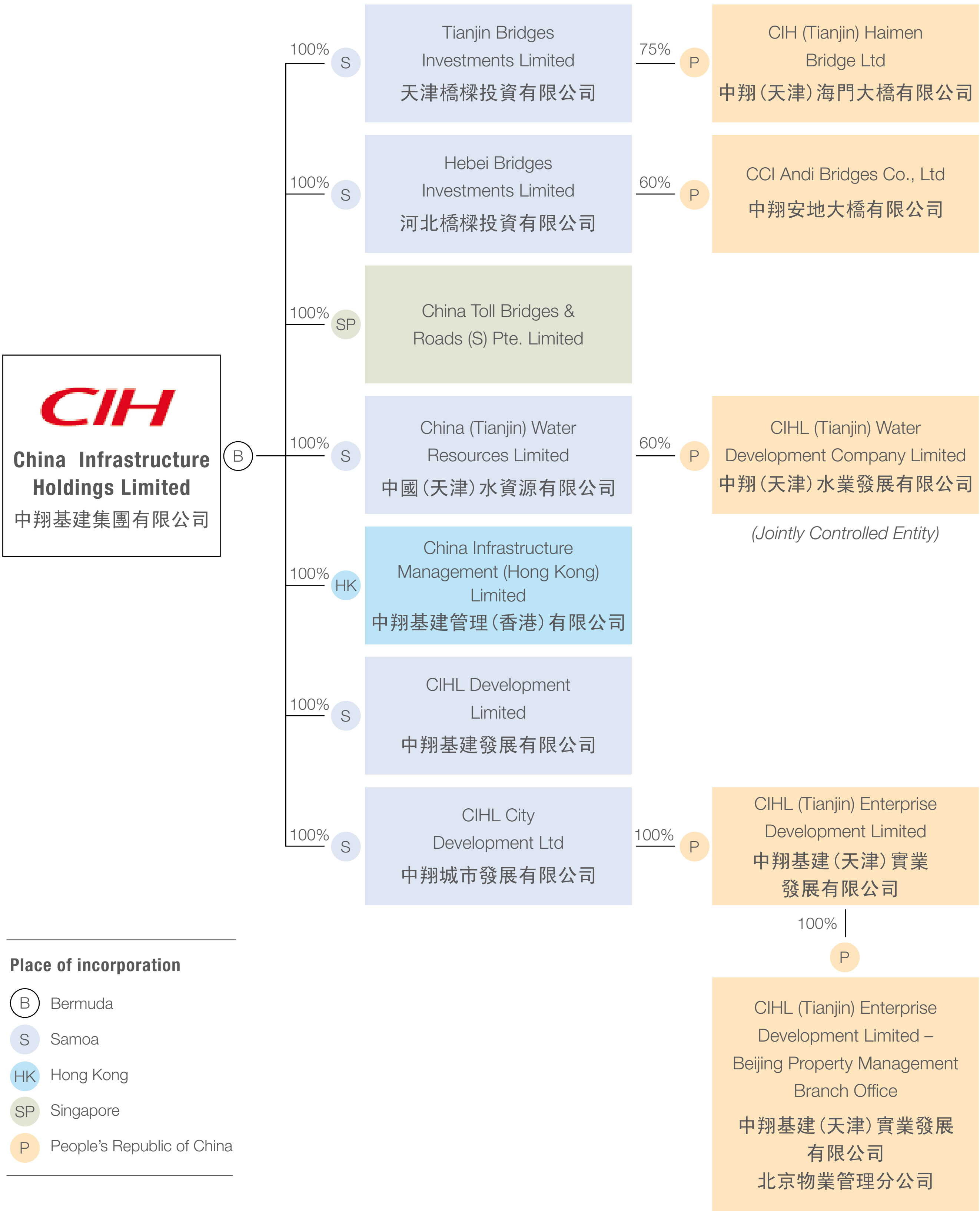
To our boad members management team, our employees, business associates, bankers, shareholders and customers, I like to express my most sincere gratitude for their dedication, commitment and contribution to the continued growth to the Company. With your unwavering faith and commitment in the coming year, we are confident we are capable of emerging from possible challenges stronger than before.

Shan Chang
Chairman

While mindful of the challenges ahead we believe it is imperative to continue to seek out opportunities which could provide sustainable earning growth.

Corporate Structure

As at 30 March 2009



Board of Directors

Shan Chang

Mr Shan is one of the founders and the Chairman of the Company. Mr Shan has over 20 years of experience in the construction industry in the PRC and Hong Kong and more than 10 years business and financial management experience in listed companies. Mr Shan is the director of CEC CoreCast Corporation Ltd, a company listed on the Shanghai Stock Exchange (PRC), President of China Institute of Geotechnical Investigation and Surveying and the Managing Director of China Construction Holdings Limited. Mr Shan holds an Executive Master of Business Administration degree from the Tsinghua University, a Master of Science degree in Engineering from the China Academy of Railway Science and a Bachelor of Science degree in Engineering from the Tong Ji University. Age 49.

Fong Weng Khiang

Mr Fong was first appointed to the Board on 14 January 2006 and elected as a Director on 28 April 2006. Mr Fong has more than 23 years of working experience in the building industry and property development. He had stationed in China between 1994 and 2000, served as Regional Director for a multinational conglomerate headquartered in Singapore. Mr Fong holds a Bachelor of Science (Building) degree from the University of Singapore, a Master of Science (International Construction Management) degree from the Nanyang Technological University, and has a postgraduate Diploma in Financial Management conferred by New York University and the Singapore Institute of Management. Mr Fong is a member of the Singapore Institute of Surveyors and Valuers and a professional member of the Royal Institution of Chartered Surveyors. Age 55.

Zhang Rong Xiang

Mr Zhang is one of the founders of the Company. Mr Zhang was re-appointed Managing Director of the Company on 4 December 2006. Mr Zhang has more than 20 years of experience in construction, civil engineering and seismic studies in the PRC and Hong Kong, including 15 years with the Comprehensive Institute of Site Investigation and Surveying, Ministry of Construction of the PRC. Mr Zhang holds an Executive Master of Business Administration degree from the Peking University, a Master of Science degree in Engineering from the China Academy of Building Research and a Bachelor of Engineering degree from the Hefei University of Technology. Mr Zhang is a member of the Council of the Architectural Society of China, a Registered Engineer for Construction Supervision and Registered Civil Engineer (Geot.) in the PRC. Age 46.

Zhu Jun

Mr Zhu joined the Company in April 2003 and was appointed Executive Director of the Company on 25 June 2003. Mr Zhu is responsible for the business development and financial matter of the Group. Mr Zhu also sits on the Board of United Energy Group Co. Ltd. Prior to joining the Company, Mr Zhu worked in banking, financial and capital market sector for more than 13 years as a senior executive. He served as Assistant Director of SINOLINK Worldwide Holdings Limited, a company listed on the Hong Kong Stock Exchange, for about 2 years. Mr Zhu holds a Master and a Bachelor degree in Economics from the Peking University. Age 43.

Chee Teck Kwong Patrick

Mr Chee Teck Kwong Patrick, PBM, was appointed as an Independent Director on 16 June 2008. Mr Chee holds a Bachelor of Laws (Hons) Degree from the University of Singapore. He is an Advocate Solicitor of the Supreme Court of the Republic of Singapore since 1980. He is now a Senior Legal Consultant with KhattarWong. Mr Chee is a Notary Public and a Commissioner for Oaths. He is a member of Singapore Institute of Arbitrators, Singapore Institute of Internal Auditors and Singapore Institute of Directors. He also sits on the Board of CSC Holdings Limited, Hai Leek Holdings Limited, Hengxin Technology Ltd, PSC Corporation Ltd, Singapore Windsor Holdings Limited, Tat Seng Packaging Group Ltd and Ramba Energy Limited. Mr Chee is active in community service and is the Vice Chairman of Teck Ghee Community Club and the Organising Chairman of National Street Soccer League. Mr Chee is the recipient of the National Day Awards 2003 – The Public Service Medal (Pingat Bakti Masayarakat) from the President of Republic of Singapore. Age 55.

Key Executives

Boa Shi Yi

Mr Bao was appointed the Deputy General Manager of the Group on 1 April 2007. Mr Bao has more than 20 years of experience in construction, civil engineering and property development in the PRC. Prior to joining the Group, Mr Bao worked with Tianjin Tanggu City Construction and Investment Company, a state owned enterprise as General Manager. Mr Bao holds a Bachelor of Civil Engineering degree from Construction Engineering College of Tianjin and a Bachelor of Economics degree from Chinese Communist Party School. Mr Bao is a Civil Engineer. Age 47.

Lai Kin Ming, Kenny

Mr Lai was appointed Group Chief Accountant in February 2001. Mr Lai is responsible for the accounting functions of the Group. Mr Lai has over 20 years of experience in accounting functions. Mr Lai holds a Bachelor degree in Commerce from the University of Canberra and has a Postgraduate Diploma in Financial Management from the University of London. Mr Lai is an associate member of CPA Australia. Age 51.

Ng Mei Wah, Mon

Ms Ng joined the Company on 7 December 2006 as the assistant company secretary, and was appointed Joint Company Secretary on 1 April 2008. Prior to joining the Company, Ms Ng worked with Dow Chemical Pacific Limited in Hong Kong for 10 years. Her last position there was Product Marketing Specialist. Ms Ng holds a Master of Corporate Governance degree from The Hong Kong Polytechnic University and a Bachelor of Commerce degree from Curtin University of Technology. Ms Ng is an associate member of The Hong Kong Institute of Chartered Secretaries. Age 37.

Corporate Information

Directors:

Mr Shan Chang, Non-Executive Chairman
Mr Fong Weng Khiang, Independent Deputy Chairman
Mr Zhang Rong Xiang, Managing Director
Mr Zhu Jun, Executive Director
Mr Chee Teck Kwong Patrick, Independent Director

Company Secretaries:
Mr Chew Kok Liang
Ms Ng Mei Wah Mon

Auditor:

RSM Nelson Wheeler
Certified Public Accountants
29th Floor, Caroline Centre
Lee Gardens Two
28 Yun Ping Road
Hong Kong

Hong Kong Office:

Room 3001, Shun Tak Centre, West Tower
168 – 200 Connaught Road Central
Hong Kong

Beijing Office:

Floor 21, Tower C, Webok Time Centre
17 South Zhongguancun Street
Haidian District, Beijing
PRC 100081

Website:

www.chinatoll.net

Share Registrar:

Codan Services Limited
Clarendon House, 2 Church Street
Hamilton HM 11
Bermuda

Share Transfer Agent:

Boardroom Corporate & Advisory Services (Pte) Ltd
3 Church Street, #08-01
Samsung Hub
Singapore 049483

Registered Office:

Clarendon House, 2 Church Street
Hamilton HM11, Bermuda
Telephone: 1 441 295 1422
Fax: 1 441 292 4720

Principal Bankers:

CITIC Industrial Bank
Industrial and Commercial Bank of China
CITIC Ka Wah Bank

Statement of Corporate Governance

The Directors of China Infrastructure Holdings Limited (the "Company") are committed to setting in place corporate governance practices to provide the structure through which the objectives of protection of shareholders' interests and enhancement of long term shareholder value are met.

BOARD MATTERS

The Board's Conduct of its Affairs

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the success of the company. The Board works with Management to achieve this and the Management remains accountable to the Board.

The Board's primary role is to protect and enhance long-term shareholders' value. To fulfill this role, the Board is responsible for setting the overall strategic plans, key operational initiatives, major funding and investment proposals, financial performance reviews and corporate governance practices of the Group.

The Board conducts regular scheduled meetings on a quarterly basis to review and approve matters such as material acquisition and disposal of assets, major investments and divestments, major funding proposals, corporate governance policies, repurchase of shares, release of the Group's half year and full year's results and material interested person transactions. Ad-hoc meetings are convened as and when they are deemed necessary in between the scheduled meetings. The Bye-Laws of the Company allow board meetings to be conducted by means of such telephone, electronic or other communication facilities. When a physical Board meeting is not possible, the Board members can communicate through electronic means or via circulation of written resolutions for approval.

The Board delegates three Board Committees to assist in the execution of its responsibilities, namely Nominating Committee ("NC"), Remuneration Committee ("RC") and Audit Committee ("AC"). All Committees chaired by an independent Director and consist a majority of independent or non-executive Directors.

At least one of the Company Secretaries will attend all meetings of the Board and the Board committees of the Company to ensure that Board procedures are followed and applicable rules and regulations are complied with.

The Company conducts briefing for new Directors to orientate them on the Group's operations and furnished them with information and updates on the Group's corporate governance practices.

Details of Board and Board Committee Meetings held during the financial year ended 31 December 2008 are summarized in the following table:

Name of Director	Board Meetings	AC Meetings	NC Meetings	RC Meetings
Number of Meetings	5	5	1	1
Mr Shan Chang	5	5	1	1
Mr Fong Weng Khiang	5	5	1	1
Mr Zhang Rong Xiang	5	–	–	–
Mr Zhu Jun	5	–	–	–
Mr Tan Kok Wah*	2	2	1	1
Mr Chee Teck Kwong Patrick**	2	2	–	–

* Mr Tan Kok Wah retired as a Director of the Company on 30 April 2008.

** Mr Chee Teck Kwong Patrick was appointed as a Director of the Company on 16 June 2008.

Statement of Corporate Governance

Board Composition and Guidance

Principle 2: There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from management. No individual or small group of individuals should be allowed to dominate the Board's decision making.

The Board currently has five Directors, one-third of whom are independent directors.

Name of Director	Position
Mr Shan Chang	Non-Executive Chairman
Mr Fong Weng Khiang	Independent Director and Deputy Chairman
Mr Zhang Rong Xiang	Managing Director
Mr Zhu Jun	Executive Director
Mr Chee Teck Kwong Patrick	Independent Director

The NC reviews the size and composition of the Board on annual basis. The Board is of the view that the current board size is appropriate for business nature and scope of operations. The Board is of the view that the Board has the appropriate mix of expertise and experience, and collectively possess the necessary core competencies for effective functioning and informed decision-making.

Non-executive and independent members of the Board exercise no management functions in the Company or its subsidiary. Although all the Directors have an equal responsibility for the Group's operations, the role of these non-executive directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, of the Shareholders, having regard to the interests of employees, customers, suppliers and the many communities in which the Group conducts business. The non-executive Directors help to develop proposals on strategy.

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company - the working of the Board and the executive responsibility of the company's business - which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The roles of the Chairman and Managing Director are separate, with a clear division of responsibilities between the two directors. Our Non-Executive Chairman, Mr Shan, plays a pivotal role in steering the strategic direction and growth of the business, since he has considerable business experience. He also ensures information flow between Management and the Board, while the Managing Director, Mr Zhang, assumes full executive responsibilities over the business directions and operational decisions of the Group.

Board Membership

Principle 4: There should be a formal and transparent process for the appointment of new directors to the Board. As a principle of good corporate governance, all directors should be required to submit themselves for re-nomination and re-election at regular intervals.

The NC comprises three Directors, a majority of whom, including the Chairman, are independent. The NC members are:

Mr Chee Teck Kwong Patrick (Chairman from 16 June 2008 to present)
Mr Fong Weng Khiang
Mr Shan Chang

The Chairman of NC is not associated in any way with the substantial shareholders of the Company.

Statement of Corporate Governance

The Nominating Committee has written terms of reference that describes the responsibilities of its members. The NC's functions are to develop and maintain a transparent and formal process for the appointment of new directors, to make recommendations on directors who are due for retirement by rotation to seek re-election at general meeting, and to determine the status of independence of each director. The role of the NC includes reviewing nominations for the appointment and re-appointment to the Board and the various Board committees, and overseeing the induction process for directors. The NC is also tasked to assess the effectiveness and contributions of the Board and its members, to the strategic growth and development of the Company. In so doing, the NC would determine how the Board's performance may be evaluated, and propose objective performance criteria to assess effectiveness of the Board as a whole and the contribution of each director. Where a director has multiple board representations, the NC will evaluate annually whether or not a director is able to and has been adequately carrying out his duties as director of the Company based on internal guidelines such as attendance, contactability and responsiveness. Despite some of the Directors having other board representations, the Nominating Committee is satisfied that these Directors are able to and have adequately carried out their duties as Directors of the Company.

The Directors submit themselves for re-nomination and re-election as Directors at regular intervals of at least once every three years. Pursuant to Bye-law 104 of the Company's Bye-laws, one-third of the Directors are to retire from office by rotation at the Company's Annual General Meeting ("AGM"). In addition, pursuant to the Bye-Laws of the Company, newly appointed director must retire and submit himself for re-election at the next AGM following his appointment.

The NC reviews annually the independence of the Directors. The Board considers all Directors are free from any relationship so they can make independent judgment without any interference.

The NC oversees the selection and appointment of new directors. The process includes identification of potential candidates, evaluation of candidates' skills, knowledge and experience, assessment of candidates' suitability and recommendation for nomination to the Board.

The following are the information relating to the date of appointment of the directors and the date of their last re-election:

	Date of appointment	Date of last re–election
Mr Shan Chang	7 Nov 1998	29 April 2008
Mr Fong Weng Khiang	14 Jan 2006	29 April 2008
Mr Zhang Rong Xiang	15 Jan 1999	28 April 2006
Mr Zhu Jun	25 Jun 2003	30 April 2007
Mr Chee Teck Kwong Patrick	16 Jun 2008	–

Mr Zhu Jun and Mr Chee Teck Kwong Patrick have given their consent for re-election. The NC has recommended that Mr Zhu Jun and Mr Chee Teck Kwong Patrick who will be retiring by rotation at the forthcoming AGM to be re-elected.

Key information of the directors can be found on Page 6 of this Annual Report.

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The NC has adopted an evaluation questionnaire to assess the performance and effectiveness of the Board as a whole. It focuses on a set of performance criteria, which includes the size and composition of the Board, the Board's access to information, Board process and accountability, directors' standards of conduct.

Statement of Corporate Governance

Although the Directors are not evaluated individually, the factors taken into considerations for the re-nomination of the Directors for the current year are based on the Directors' attendance at meetings held during the year and the contribution made by the Directors at the meetings.

The review of the Board performance is undertaken collectively by the Board annually.

Access to Information

Principle 6: In order to fulfil their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an on-going basis.

Directors receive a regular supply of detailed information from management concerning the Group to enable them to be fully cognizant of the decisions and actions of the Group's executive management, so that they are equipped to play as full a part as possible in Board meetings. The Board papers include sufficient information from management on financial, business and corporate issues to enable the directors to be properly briefed on issues to be considered at Board meetings.

The Board members have unrestricted access to the Management of the Company and of the subsidiaries. They have been provided with sufficient background and explanatory information for the assessment of the business of the Group before meetings.

The Company Secretary attends all Board Meetings and prepares minutes of meetings. The appointment and removal of the Company Secretary are subject to the approval of the Board.

If necessary, the Board may, in furtherance of their duties, seek independent professional advice at the expense of the Company.

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his own remuneration.

The RC comprises the following Directors, a majority of whom, including the Chairman, are independent:

Mr Chee Teck Kwong Patrick (Chairman from 16 June 2008 to present)
Mr Fong Weng Khiang
Mr Shan Chang

The Remuneration Committee holds at least one meeting per year. The key functions of the Remuneration Committee under the Terms of Reference are, *inter alia*:-

(a) to recommend to the Board a framework of remuneration for the Board and executive officers, and to determine specific remuneration packages for each executive director; such recommendations to be submitted for endorsement by the entire Board and should cover all aspects of remuneration, including but not limited to director's fees, salaries, allowances, bonuses, options, and benefits in kind;

(b) in the case of service contracts, to consider what compensation commitments the directors' contracts of service, if any, would entail in the event of early termination with a view to be fair and avoid rewarding poor performance; and

(c) in respect of any share option schemes as may be implemented, to consider whether directors should be eligible for benefits under such incentive schemes.

Statement of Corporate Governance

The members of the Remuneration Committee shall not participate in any decision concerning their own remuneration. No Director will be involved in determining his own remuneration.

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

In setting remuneration packages, the Company will take into account pay and employment conditions within the same industry and in comparable companies, as well as the Group's relative performance and the performance of individual directors.

All Board Directors receive Directors' fees. The directors' fees will be subject to approval at the forthcoming annual general meeting ("AGM").

The remuneration for the Company's executive Director and key senior executives comprise a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and their individual performance.

The annual reviews of the compensation of Directors will be carried out by the Remuneration Committee to ensure that the remuneration of the executive Director and senior management is commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the Managing Director (together with other senior executives) will be reviewed periodically by the Remuneration Committee and the Board.

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

The fees and remuneration paid to each of the Directors and key executives of the Company for the financial year ended 31 December 2008 are set out below.

	Fee %	Salary %	Bonus %	Total %
Directors				
Below S$250,000				
Mr Shan Chang	100	–	–	100
Mr Fong Weng Khiang	100	–	–	100
Mr Zhang Rong Xiang	19	75	6	100
Mr Zhu Jun	26	69	5	100
Mr Chee Teck Kwong Patrick	100	–	–	100
Key Executives				
Below S$250,000				
Mr Bao Shi Yi	–	50	50	100
Mr Lai Kin Ming Kenny	–	93	7	100
Ms Ng Mei Wah Mon	–	92	8	100

Statement of Corporate Governance

The non-executive directors, including the independent directors, have no service contracts with the Company and their terms of appointment are specified in the Bye Laws of the Company. The service period of the Managing Director is for a period not exceeding a fixed term of 5 years as per the Bye-Laws of the Company. The service contract of the Executive Directors is for a period of three years and the contract can be terminated by giving the other party not less than 6 months notice or payment in lieu of notice.

There are no employees of the Group who are immediate family members of a Director, the Managing Director or a substantial shareholder, and whose remuneration exceeds S$150,000 during the financial year ended 31 December 2008.

In deriving and approving appropriate remuneration packages, the RC is mindful of factors such as employment conditions within the industry, roles and responsibilities of the individuals and the need to link reward to performance. The Company has also put in place a share option scheme for executives as part of its remuneration mix and as a staff-retention tool.

ACCOUNTABILITY AND AUDIT

Accountability

Principle 10: The Board should present a balanced and understandable assessment of the company's performance, position and prospects.

The Board adopted the principle that the Board is accountable to the shareholders while the management is accountable to the Board. The Board is committed to provide shareholders with a balanced and understandable assessment of the Company's performance, position and prospects on periodic basis and keep shareholders informed of significant developments of the Company's operations. The monthly financial information is available for the Board members to review on a periodic basis.

Audit Committee

Principle 11: The Board should establish an Audit Committee with written terms of reference which clearly set out its authority and duties.

The AC comprises three Directors, a majority of whom, including the Chairman is independent. The AC members are:

Mr Fong Weng Khiang (Chairman)
Mr Shan Chang
Mr Chee Teck Kwong Patrick

The AC members have many years of experience in board of directors and senior management positions. The Board is of the view that the AC members have sufficient financial management expertise and experience to discharge their responsibilities.

The AC carries out its functions as set out its terms of reference. The AC monitors the changes in accounting policies, reviews internal audit appraisals and adequacy of the Group's internal controls, reviews interested person transactions, and discusses accounting implications of major transactions so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance. In addition, the AC reviews with the external auditors on audit plan, audit issues, audit report and Management's response.

Statement of Corporate Governance

The Company has put in place a whistle-blowing framework, endorsed by the AC where employees of the Company may, in confidence, raise concerns about possible corporate improprieties in matters of financial reporting or other matters and to ensure that arrangements are in place for the independent investigations of such matters and for appropriate follow up actions.

The AC has full access to and co-operation by Management and has full discretion to invite any executive director or executive officer to attend their meetings.

The AC meets with the external auditors and internal auditors, at least once a year, without the presence of Management.

The AC has reviewed and is satisfied with the independence and objectively of the external auditors.

The AC recommends to the Board that Messrs RSM Nelson Wheeler be nominated for re-appointment as the external auditor of the Company at the forthcoming AGM.

Internal Controls

Principle 12: The Board should ensure that the management maintains a sound system of internal controls to safeguard the shareholders' investments and the company's assets.

The Board recognises that it is responsible for maintaining a system of internal control processes to safeguard shareholders' investments and the Group's business and assets. The effectiveness of the internal financial control systems and procedures are monitored by the Management.

The Board acknowledges that it is responsible for the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The AC reviews the adequacy of the Company's internal financial controls, operation and compliance controls and systems established by the Management ("internal controls") and the effectiveness of the internal controls annually.

The Board believes that in the absence of any evidence to the contrary and from due enquiry, the system of internal controls that has been maintained by the Group's management throughout the financial year is adequate to meet the needs of the Group in its current business environment.

Internal Audit

Principle 13: The company should establish an internal audit function that is independent of the activities it audits.

The Group has outsourced the internal audit function to Ethos Advisory Pte Ltd. Their mandate is to review management risk and internal controls for key processes. The AC is satisfied there are adequate controls and measures within the Group and will continue to review the same on an annual basis.

The Internal Auditors report to the Chairman of the Audit Committee at least annually.

The internal auditors report directly to the AC on internal audit matters, and to senior management on administrative matters. The AC reviews the internal audit reports and activities periodically and the effectiveness of the Company's internal audit function. The AC also reviews and approves the annual internal audit plan. The AC is of the view that the internal audit function is adequately resourced to perform its functions and have, to the best of its ability, maintained its independence from the activities that it audits.

Statement of Corporate Governance

COMMUNICATION WITH SHAREHOLDERS

Principle 14: Companies should engage in regular, effective and fair communication with shareholders.
Principle 15: Companies should encourage greater shareholder participation at AGMs, and allow shareholders the opportunity to communicate their views on various matters affecting the company.

The Company is committed to maintain a regular, effective and fair communication with shareholders. Pursuant to the continuous disclosure obligations under Singapore Exchange Listing Rules, the Company makes disclosures through announcements via SGXNET.

In addition, the Board views AGM as the principal forum for dialogue with shareholders, being an opportunity for shareholders to voice their views to, raise issues to and seek clarification from the Board of Directors or Management regarding the Company and its operations. Shareholders are encouraged to attend AGM in person or by proxy. The Company's external auditors are also invited to assist in addressing any queries by shareholders relating to the conduct of audit and the preparation and content of their auditors' report.

Resolutions to be passed at general meetings are always separate and distinct in terms of issue so that shareholders are better able to exercise their right to approve or deny the issue or motion.

Dealings in Securities

The Group has adopted a set of code in relation to dealings in the Company's securities to all its officers pursuant to Singapore Exchange Listing Rules. The Company and its officers are not allowed to deal in the Company's shares while in possession of unpublished material price-sensitive information, and during the period commencing two weeks before the announcement of Company's quarterly results and one month before the announcement of the Company's full year results and ending on the date of the announcement of the relevant results.

Interested Person Transactions ("IPTs")

The Company has established guideline on interested person transactions. The AC reviews material interested person transactions and keep the Board informed of such transactions, if any.

Measures are taken to ensure that terms and conditions of interested person transactions are not more favorable than those granted to non-related persons under similar circumstances.

Name of Interested Person	Aggregate value of all IPTs during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all IPTs conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000)
	RMB'000	RMB'000
CEC CoreCast Corporation Limited and its subsidiaries		
- rental income	1,055	–
天津市寧渠實業發展有限公司		
- consultancy service fee	1,500	–
北京世紀龍泉房地產開發有限公司		
- loan	4,860	–

Statement of Corporate Governance

Material Contracts

The following are the particulars of material contracts entered into by the Company or its subsidiaries involving interest of director during the financial year of 2008:

(a) The consultancy service agreement of RMB1.5 million dated 1 December 2008 entered into between CIHL (Tianjin) Enterprise Development Limited, a wholly-owned subsidiary of the Company and 天津市寧渠實業發展有限公司 where Mr Zhang Rong Xiang is one of the directors.

(b) The loan agreement of RMB4.86 million dated 31 December 2008 entered into between the Company and 北京世紀龍泉房地產開發有限公司 in which 75% equity interests was held by 天津市寧渠實業發展有限公司.

Save as disclosed above, there are no material contracts of the Company and its subsidiaries involving interest of any directors or controlling shareholders during and as at the end of financial year of 2008.

Risk Management

Management regularly reviews the Group's businesses and assesses operational environment in order to identify areas of significant business and financial risks such as foreign currency risks, interest rate risk, credit risk and liquidity risk, as well as appropriate measures to control and mitigate these risks. The significant risk management policies are as disclosed in the audited financial statements of this Annual Report.

Use of Proceeds

Pursuant to a placement exercise (the "Placement"), the Company issued 150,000,000 new ordinary shares at S$0.095 per share for cash on 11 December 2007. Out of the gross proceeds of S$14.25 million raised from the Placement, as at the date of this Annual Report, the full amount of S$14.25 million was utilized for the following purposes:

		S$' million
1.	Placing to the refundable deposits of land infrastructure development projects	13.45
2.	Placement expenses	0.03
3.	General working capital	0.77
	Total amount disbursed as at the date of this Annual Report	14.25

Directors' Report

The directors are pleased to present their report to the members together with the audited consolidated financial statements of China Infrastructure Holdings Limited (the "Company") and its subsidiary companies (the "Group") for the financial year ended 31 December 2008 ("FY2008").

The Board of Directors

The directors of the Company in office during FY2008 and up to the date of this report are:

Mr Shan Chang
Mr Fong Weng Khiang
Mr Zhang Rong Xiang
Mr Zhu Jun
Mr Tan Kok Wah (retired on 30 April 2008)
Mr Chee Teck Kwong Patrick (appointed on 16 June 2008)

Arrangements to Enable Directors to Acquire Shares or Debentures

Other than as disclosed under "Share Options" below, neither at the end of nor at any time during FY2008, was the Company a party to any arrangement whose objects are, or one of whose object is, to enable the Directors of the Company to acquire benefits by means of acquisition of shares or debentures of the Company or any other body corporate.

Directors' Interests in Shares and Debentures

As at the 21st day after the end of FY2008, Messrs. Shan Chang and Zhang Rong Xiang were directors of China Construction Group Inc, a substantial shareholder of the Company.

According to the register of Director's shareholdings, the following directors, who held office at the end of FY2008, had an interest in the shares of the Company as stated below:

Ordinary shares of S$0.05 each of the Company as at 31 December 2008:

Name of Director	Direct Interest	Deemed Interest
Mr Zhu Jun	1,500,000	–
Mr Zhang Rong Xiang	2,566,000	–

Share Options

As at 31 December 2008, details of share options granted by the Company to the directors pursuant to the CIHL Share Option Scheme (the "Scheme") adopted on 10 May 2004 are as follows:

Name of participant	Options granted during financial year under review	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review
Mr Shan Chang	–	28,000,000		28,000,000
Mr Fong Weng Khiang	–	4,500,000	–	4,500,000
Mr Zhang Rong Xiang	–	28,000,000	–	28,000,000
Mr Zhu Jun	–	11,000,000	–	11,000,000
Mr Tan Kok Wah	–	4,500,000	(1,000,000)	3,500,000
Mr Chee Teck Kwong Patrick	4,500,000	–	–	4,500,000
	4,500,000	76,000,000	(1,000,000)	79,500,000

Pursuant to the Scheme, Mr Chee Teck Kwong Patrick has been granted 4,500,000 share options on 6 August 2008 at the exercise price of S$0.07. The vesting schedule of the options is 40%, 30% and 30% after the first, second and third anniversary respectively of the grant. The vesting schedule is same as for other grantees. The expiry date of the options is on 5 August 2013.

As at 31 December 2008, 84,500,000 options were granted to directors and employees of the Company pursuant to the Scheme. If the options are fully exercised, they will be convertible into 84,500,000 shares in the share capital of the Company.

No share options were exercised, forfeited or lapsed as at the date of this report or at any time during FY2008. None of the share options have been granted at a discount.

The Scheme is administered by the Remuneration Committee, members of which included Messrs. Fong Weng Khiang, Shan Chang and Chee Teck Kwong Patrick.

Other than the foregoing, none of the Directors of the Company holding office at the end of FY2008 had any direct or deemed direct interests in the share capital and debentures of the Company as per record in the register of Directors' shareholdings kept by the Company.

Directors' Interests in Material Contracts

Since the beginning of the FY2008, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with a director or with a firm of which he is a member of or with a company in which he has a substantial financial interest other than the indirect interest as disclosed above. Other than as disclosed under "Material Contracts" on the Statement of Corporate Governance, there were no material contracts of the Company and its subsidiaries involved the interests of the executive officers, directors or its controlling shareholders.

Directors' Report

Audit Committee

The members of the Audit Committee at the date of this report are as follows:

Mr Fong Weng Khiang (Chairman)
Mr Shan Chang
Mr Tan Kok Wah (Member from 1 January 2008 to 30 April 2008)
Mr Chee Teck Kwong Patrick (Member from 16 June 2008 to present)

The details and function of the Audit Committee are set out in the Statement of Corporate Governance.

The Board of Directors has reviewed and is satisfied with the adequacy of internal controls that comes under the supervision of the Audit Committee.

The Audit Committee recommends the re-appointment of RSM Nelson Wheeler as auditor of the Company at the forthcoming Annual General Meeting.

Non-Audit Fees

No non-audit fees were paid to the auditor during FY2008.

Independent Auditor

The auditor, RSM Nelson Wheeler, have expressed their willingness to accept re-appointment.

On behalf of the Directors

Shan Chang
Chairman

Zhang Rong Xiang
Managing Director

30 March 2009

Statement by Directors

The Board of Directors is responsible for the preparation and the true and fair presentation of the financial statements in accordance with International Financial Reporting Standards. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

In the opinion of the Directors, the accompanying balance sheets, the consolidated profit and loss account, the consolidated statement of changes in equity and the consolidated cash flow statement, together with the notes thereon, are drawn up in accordance with and comply with International Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's results and cash flows for financial year ended on that date and at the date of this statement there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Directors

Shan Chang
Chairman

Zhang Rong Xiang
Managing Director

30 March 2009

Independent Auditor's Report

To the Shareholders of China Infrastructure Holdings Limited

(Incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of China Infrastructure Holdings Limited (the "Company") set out on pages 23 to 71, which comprise the consolidated and Company balance sheets as at 31 December 2008, and the consolidated profit and loss account, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Directors' responsibility for the financial statements

The directors of the Company are responsible for the preparation and the true and fair presentation of these financial statements in accordance with International Financial Reporting Standards ("IFRSs"). This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and the true and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit and to report our opinion solely to you, as a body, in accordance with section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2008 and of the Group's results and cash flows for the year then ended in accordance with IFRSs.

RSM Nelson Wheeler
Certified Public Accountants
Hong Kong
Partner-in-charge: Wong Poh Weng
(Date of appointment: 1 April 2007)

30 March 2009

Consolidated Profit and Loss Account

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
TURNOVER	6	43,031	41,336
Cost of services provided		(21,381)	(21,891)
Gross profit		21,650	19,445
Other income	7	38,580	30,524
Administrative expenses		(8,276)	(11,085)
Other operating expenses		(5,361)	(3,786)
Profit from operations		46,593	35,098
Finance costs	9	(28)	(22)
Share of profits / (losses) of a jointly controlled entity / entities		606	(1,453)
PROFIT BEFORE TAX		47,171	33,623
Income tax expense	11(a)	(12,715)	(6,174)
PROFIT FOR THE YEAR	12	34,456	27,449
ATTRIBUTABLE TO:-			
Equity holders of the Company		30,080	26,067
Minority interests		4,376	1,382
		34,456	27,449
EARNINGS PER SHARE		RMB(Fen)	RMB(Fen)
Basic	15	3.40	3.42
Diluted	15	3.39	3.30

Consolidated Balance Sheet

As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 Restated
NON-CURRENT ASSETS			
Property, plant and equipment	16	13,481	14,112
Intangible assets	17	178,078	182,247
Investment properties	18	30,270	30,800
Investment in a jointly controlled entity / entities	20	32,941	82,335
		254,770	309,494
CURRENT ASSETS			
Accounts receivable, prepayments and other receivables	21	340,812	380,571
Refundable deposits	22	160,000	–
Due from a jointly controlled entity	23	6,176	6,091
Due from related companies	30(b)	5,035	501
Due from a minority shareholder	23	5,283	4,521
Cash and bank balances	24	31,852	79,535
		549,158	471,219
CURRENT LIABILITIES			
Accounts payable, other payables and accruals	26	7,342	7,148
Due to a jointly controlled entity	25	7,500	–
Due to related companies	30(b)	1,501	–
Due to a director	25	1,907	2,697
Current tax liabilities		12,118	631
Due to minority shareholders	27	26,000	26,000
		56,368	36,476
NET CURRENT ASSETS		492,790	434,743
TOTAL ASSETS LESS CURRENT LIABILITIES		747,560	744,237
NON-CURRENT LIABILITIES			
Deferred tax liabilities	11(b)	4,676	5,330
		4,676	5,330
NET ASSETS		742,884	738,907
CAPITAL AND RESERVES			
Share capital	28	218,820	227,144
Reserves	29(a)	451,383	442,801
Equity attributable to equity holders of the Company		670,203	669,945
Minority interests		72,681	68,962
TOTAL EQUITY		742,884	738,907

Approved by the Board of Directors on 30 March 2009

Shan Chang
Chairman

Zhang Rong Xiang
Managing Director

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 Restated
Cash flows from operating activities			
Profit before tax		47,171	33,623
Adjustments for:			
Amortisation of investment in a PRC subsidiary		–	263
Amortisation of intangible assets		8,540	9,712
Depreciation of property, plant and equipment		1,766	1,187
Interest income		(16,733)	(10,718)
Refund of PRC income tax		(306)	–
Share options granted to employees and directors		288	2,697
(Gain) / Loss on disposals of property, plant and equipment		(6)	169
Gain on disposal of a jointly controlled entity	32(a)	(23,000)	–
Gain on disposal of a subsidary		–	(13,106)
Loss on fair value changes of investment properties		994	–
Share of (profits) / losses of a jointly controlled entity / entities		(606)	1,453
Operating profit before working capital changes		18,108	25,280
Decrease / (Increase) in accounts receivable, prepayments and other receivables		24,245	(8,792)
Increase in due from a jointly controlled entity		(85)	(6,091)
Increase in due from related companies		(250)	–
(Decrease) / Increase in accounts payable, other payables and accruals		(775)	2,842
Cash generated from operations		41,243	13,239
PRC income tax paid		(1,882)	(2,145)
PRC income tax refunded		306	857
Net cash generated from operating activities		39,667	11,951
Cash flows from investing activities			
Additions to construction in progress		–	(118)
Interest received		10,143	723
Payments of intangible assets		(4,371)	–
Payments of property, plant and equipment		(497)	(449)
Payments of investment properties		(464)	–
Refundable deposits paid for land development projects	22	(160,000)	–
Proceeds on disposals of property, plant and equipment		6	340
Proceeds on disposal of a subsidiary		–	2,597
Disposal of a subsidiary		–	(1,818)
Net cash (used in) / generated from investing activities		(155,183)	1,275

Consolidated Cash Flow Statement

For the year ended 31 December 2008

	Note	2008 RMB'000	2007 RMB'000 Restated
Cash flows from financing activities			
Proceeds from share options exercised		–	299
Proceeds from placement of shares		–	72,725
Repurchase of shares		(13,935)	–
Dividends paid to equity holders of the Company		(16,164)	(8,159)
Loans granted to a minority shareholder		(762)	(250)
Short term loans granted to a third party		(12,012)	(19,700)
Settlement of loans due from third parties		116,345	2,200
Loans advanced by a related company / companies		1,139	12,403
Loans repaid to a related company		(460)	–
Loans repaid from a related company		–	500
Loans advanced to a related company / companies		(4,860)	(426)
Loans repaid to a director		(790)	–
Dividends paid to a minority shareholder		(668)	(1,325)
Net cash generated from financing activities		67,833	58,267
Net (decrease) / increase in cash and cash equivalents		(47,683)	71,493
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR		79,535	8,042
CASH AND CASH EQUIVALENTS AT END OF YEAR		31,852	79,535
ANALYSIS OF CASH AND CASH EQUIVALENTS			
Cash and bank balances		31,852	79,535

Balance Sheet
As at 31 December 2008

	Note	2008 RMB'000	2007 RMB'000
NON-CURRENT ASSETS			
Interests in subsidiaries	19	383,120	307,471
		383,120	307,471
CURRENT ASSETS			
Prepayments and other receivables	21	251,084	342,482
Due from a related company	30(b)	102	–
Cash and bank balances	24	1	1
		251,187	342,483
CURRENT LIABILITIES			
Other payables and accruals	26	993	1,229
		993	1,229
NET CURRENT ASSETS		250,194	341,254
NET ASSETS		633,314	648,725
CAPITAL AND RESERVES			
Share capital	28	218,820	227,144
Reserves	29(b)	414,494	421,581
TOTAL EQUITY		633,314	648,725

Approved by the Board of Directors on 30 March 2009

Shan Chang Chairman	Zhang Rong Xiang Managing Director

Consolidated Statement of Changes in Equity

For the year ended 31 December 2008

	Attributable to equity holders of the Company											Minority Interests	Total Equity
	Share capital	Share premium	Contributed surplus	Capital reserve	Statutory reserves*	Capital redemption reserve	Exchange reserve	Share options reserve	Accumulated losses	Proposed final dividend	Subtotal		
	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000	RMB '000
At 1 January 2007	188,529	15,584	565,589	7,032	10,402	–	(8)	11,311	(230,216)	8,159	576,382	68,166	644,548
Profit for the year and total recognisied income and expense for the year	–	–	–	–	–	–	–	–	26,067	–	26,067	1,382	27,449
Issue of shares on options exercised	250	220	–	–	–	–	–	(171)	–	–	299	–	299
Issue of shares on placement	38,365	34,360	–	–	–	–	–	–	–	–	72,725	–	72,725
Reserve for reduction of interest in a PRC subsidiary	–	–	–	(66)	–	–	–	–	–	–	(66)	66	–
Payment of dividends	–	–	–	–	–	–	–	–	–	(8,159)	(8,159)	(1,325)	(9,484)
Transfer	–	–	–	–	1,058	–	–	–	(1,058)	–	–	–	–
Amortisation of investment cost in a PRC subsidiary	–	–	–	–	–	–	–	–	–	–	–	263	263
Recognition of share-based payments	–	–	–	–	–	–	–	2,697	–	–	2,697	–	2,697
Share options forfeited	–	–	–	–	–	–	–	(307)	307	–	–	–	–
Disposal of a subsidiary	–	–	–	–	–	–	–	–	–	–	–	(954)	(954)
Reallocated from due from minority shareholders	–	–	–	–	–	–	–	–	–	–	–	1,364	1,364
2007 proposed final dividend	–	–	–	–	–	–	–	–	(16,164)	16,164	–	–	–
At 31 December 2007 and at 1 January 2008	227,144	50,164	565,589	6,966	11,460	–	(8)	13,530	(221,064)	16,164	669,945	68,962	738,907
Profit for the year and total recognisied income and expense for the year	–	–	–	–	–	–	–	–	30,080	–	30,080	4,376	34,456
Repurchase of shares	(8,324)	(5,611)	–	–	–	8,324	–	–	(8,324)	–	(13,935)	–	(13,935)
Reserve for reduction of interest in a PRC subsidiary	–	–	–	(11)	–	–	–	–	–	–	(11)	11	–
Payment of dividends	–	–	–	–	–	–	–	–	–	(16,164)	(16,164)	(668)	(16,832)
Transfer	–	–	–	–	635	–	–	–	(635)	–	–	–	–
Recognition of share-based payments	–	–	–	–	–	–	–	288	–	–	288	–	288
2008 proposed final dividend	–	–	–	–	–	–	–	–	(13,578)	13,578	–	–	–
At 31 December 2008	218,820	44,553	565,589	6,955	12,095	8,324	(8)	13,818	(213,521)	13,578	670,203	72,681	742,884

* As stipulated by the relevant laws and regulations for foreign investment enterprises in the PRC, the PRC subsidiaries of the Group are required to provide for statutory surplus reserve fund and enterprise expansion fund. Appropriations to such reserve funds are made out of net profit after tax of the statutory financial statements of the PRC subsidiaries and the amount and allocation basis are decided by their respective board of directors annually. The statutory surplus reserve fund can be used to make up prior year losses of the PRC subsidiaries, if any, and can be applied in conversion into capital by means of capitalisation issue. The enterprise expansion fund is used for expanding the capital base of the PRC subsidiaries by means of capitalisation. The appropriations to the statutory surplus reserve fund and enterprise expansion fund are reflected in the statutory reserves under shareholders' funds.

Notes to the Financial Statements

For the year ended 31 December 2008

1. CORPORATE INFORMATION

China Infrastructure Holdings Limited (the "Company") is an exempted company incorporated in Bermuda with limited liability under the Companies Act of Bermuda. It is listed on the main board of the Singapore Exchange Securities Trading Limited.

The registered office of the Company is located at Clarendon House, 2 Church Street, Hamilton HM11, Bermuda. The principal place of business is in the People's Republic of China (the "PRC").

The principal activities of the Company and its subsidiaries (the "Group") during the year were the operation and management of toll bridges in the PRC.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS

In the current year, the Group has adopted all the new and revised International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") that are relevant to its operations and effective for accounting periods beginning on or after 1 January 2008. IFRSs comprise International Financial Reporting Standards ("IFRS"); International Accounting Standards ("IAS"); and Interpretations. The adoption of these new and revised IFRSs did not result in substantial changes to the Group's accounting polices and amounts reported for the current year and prior years except as stated below.

IFRIC-Interpretation 12 "Service Concession Arrangements" ("IFRIC-Int 12")

IFRIC-Int 12 requires an operator under public-to-private service concession arrangements to recognise the consideration received or receivable in exchange for the construction and upgrade services as a financial asset and/or an intangible asset, based on the terms of the contractual arrangements. IFRIC-Int 12 also addresses how an operator shall apply existing IFRSs to account for the obligations and the rights arising from service concession arrangements by which a government or a public sector entity grants a contract for the construction and upgrade of infrastructure used to provide public services and/or for the supply of public services. The application of this interpretation results in changes in accounting policies of the Group, which have been applied retrospectively and comparative amounts have been restated accordingly.

Pursuant to the respective service concession arrangements applicable to Haimen bridge and Zuowei bridge and its ancillary facilities (the "Toll bridges and its ancillary facilities"), the Group operates and collects tolls for periods of 25 years from the respective date of their operation. Upon expiration of the respective concession periods, the Toll bridges and its ancillary facilities shall be transferred to the local government without compensation. Such service concession arrangements fall within the scope of IFRIC-Int 12.

In prior years, the Toll bridges and its ancillary facilities were recorded as property, plant and equipment and were stated at cost less accumulated depreciation and impairment losses. Depreciation of the Toll bridges and its ancillary facilities was calculated on a unit-of-usage basis whereby the depreciation was provided based on the ratio of actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate the Toll bridges and its ancillary facilities.

Upon the adoption of IFRIC-Int 12, the Toll bridges and its ancillary facilities under the service concession arrangements are no longer recognised as property, plant and equipment of the Group and have been reclassified as "service concession arrangements" and recorded in the consolidated balance sheet as intangible assets.

2. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (continued)

IFRIC-Interpretation 12 "Service Concession Arrangements" ("IFRIC-Int 12") (continued)

The Group applies the intangible asset model to account for the service concession arrangements where the Group is granted the rights to charge users of the Toll bridges and its ancillary facilities at toll rates approved by the PRC government. The service concession arrangements are amortised, on the "unit-of-usage method" over the respective concession periods granted.

Upon the adoption of IFRIC-Int 12, the Group recognises income and expenses associated with construction and upgrade services provided under the service concession arrangements in accordance with IAS 11 "Construction Contracts".

The effect of the above changes is summarised below:

	2008 RMB'000	2007 RMB'000
Consolidated profit and loss account for the year ended 31 December		
Increase in amortisation of intangible assets	8,540	9,712
Decrease in depreciation of property, plant and equipment	(8,540)	(9,712)
Total changes in profit for the year	–	–
Changes in basic / diluted earnings per share (RMB(Fen))	–	–
Consolidated balance sheet at 1 January		
Increase in intangible assets, net	182,247	191,959
Decrease in property, plant and equipment, net	(182,247)	(191,959)
	–	–
Consolidated balance sheet at 31 December		
Increase in intangible assets, net	178,078	182,247
Decrease in property, plant and equipment, net	(178,078)	(182,247)
	–	–

The Group has not applied the new IFRSs that have been issued but are not yet effective. The Group is in the process of making an assessment of what the impact of these new IFRSs is expected to be in the period of initial application.

3. SIGNIFICANT ACCOUNTING POLICIES

These financial statements have been prepared in accordance with the IFRSs. Balance sheet of the Company is separately presented from the consolidated balance sheet of the Group in accordance with the Listing Manual of the Singapore Exchange Securities Trading Limited.

The preparation of financial statements in conformity with IFRSs requires the use of certain key assumptions and estimates. It also requires the directors to exercise its judgement in the process of applying the accounting policies. The areas involving critical judgements and areas where assumptions and estimates are significant to these financial statements, are set out in note 5 to the financial statements.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of investment properties which are carried at their fair values.

The significant accounting policies applied in the preparation of these financial statements are set out below.

Consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to 31 December. Subsidiaries are entities over which the Group has control. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group has control.

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

The gain or loss on the disposal of a subsidiary represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the subsidiary which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated exchange reserve.

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

Minority interests represent the interests of minority shareholders in the operating results and net assets of subsidiaries. Minority interests are presented in the consolidated balance sheet and consolidated statement of changes in equity within equity. Minority interests are presented in the consolidated profit and loss account as an allocation of profit or loss for the year between minority and shareholders of the Company. Losses applicable to the minority in excess of the minority's interests in the subsidiary's equity are allocated against the interests of the Group except to the extent that the minority has a binding obligation and is able to make an additional investment to cover the losses. If the subsidiary subsequently reports profits, such profits are allocated to the interests of the Group until the minority's share of losses previously absorbed by the Group has been recovered.

In the Company's balance sheet the investments in subsidiaries are stated at cost less allowance for impairment losses. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Jointly controlled entities

A jointly controlled entity is an entity which operates under a contractual arrangement between the Group and other parties, where the contractual arrangement establishes that the Group and one or more of the other parties share joint control over the economic activity of the entity. Joint control is the contractually agreed sharing of control over the economic activity when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the "venturers").

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Jointly controlled entities (continued)

Investment in a jointly controlled entity is accounted for in the consolidated financial statements by the equity method of accounting and is initially recognised at cost. Identifiable assets, liabilities and contingent liabilities of the jointly controlled entity in an acquisition are measured at their fair values at the acquisition date. The excess of the cost of acquisition over the Group's share of the net fair value of the jointly controlled entity's identifiable assets, liabilities and contingent liabilities is recorded as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised in the consolidated profit and loss account.

The Group's share of a jointly controlled entity's post-acquisition profits or losses is recognised in the consolidated profit and loss account, and its share of the post-acquisition movements in reserves is recognised in the consolidated reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. When the Group's share of losses in a jointly controlled entity equals or exceeds its interest in the jointly controlled entity, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the jointly controlled entity.

The gain or loss on the disposal of a jointly controlled entity represents the difference between the proceeds of the sale and the Group's share of its net assets together with any goodwill relating to the jointly controlled entity which was not previously charged or recognised in the consolidated profit and loss account and also any related accumulated exchange reserve.

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

Related parties

A party is related to the Group if:-

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

(ii) the party is an associate;

(iii) the party is a joint venture;

(iv) the party is a member of the key management personnel of the Company or its parent;

(v) the party is a close member of the family of any individual referred to in (i) or (iv);

(vi) the party is an entity that is controlled, jointly controlled or significantly influenced by or for which significant voting power in such entity resides with, directly or indirectly, any individual referred to in (iv) or (v); or

(vii) the party is a post-employment benefit plan for the benefit of employees of the Group, or of any entity that is a related party of the Group.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Foreign currency translation

(i) Functional and presentation currency

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

(ii) Transactions and balances in each entity's financial statements

Transactions in foreign currencies are translated into the functional currency using the exchange rates prevailing on the transaction dates. Monetary assets and liabilities in foreign currencies are translated at the rates ruling on the balance sheet date. Profits and losses resulting from this translation policy are included in the consolidated profit and loss account.

(iii) Translation on consolidation

The results and financial position of all the Group entities that have a functional currency different from the Company's presentation currency are translated into the Company's presentation currency as follows:-

– Assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

– Income and expenses for each profit and loss account are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the exchange rates on the transaction dates); and;

– All resulting exchange differences are recognised in the exchange reserve.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities and of borrowings are recognised in the exchange reserve. When a foreign operation is sold, such exchange differences are recognised in the consolidated profit and loss account as part of the profit or loss on disposal.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

Property, plant and equipment

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

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

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Property, plant and equipment (continued)

When assets are sold or retired, their costs, accumulated depreciation and accumulated impairment losses are eliminated from the financial statements and any gain or loss on disposal of property, plant and equipment, being the difference between the net sale proceeds and the carrying amount of the relevant asset, is recognised in the consolidated profit and loss account.

Depreciation of property, plant and equipment is calculated at rates sufficient to write off their cost less their residual values over the estimated useful lives on a straight-line basis. The estimated useful lives are as follows:

Buildings	20 years
Leasehold improvements	4 years
Plant and machinery	10 years
Office equipment	5 years
Motor vehicles	5 years

The residual values, useful lives and depreciation method are reviewed and adjusted, if appropriate, at each balance sheet date.

Construction in progress represents equipments under construction and is stated at cost less impairment losses. Cost comprises direct costs of construction during the period of construction. No depreciation is provided on construction in progress. Depreciation begins when the relevant assets are available for use. Construction in progress is reclassified to the appreciate category of property, plant and equipment when completed and available for use.

Intangible assets

Intangible assets represent the Toll bridges and its ancillary facilities under the service concession arrangements.

Service concession arrangements represent the rights by which the local government grants a contract for the operations of the Toll bridges and its ancillary facilities. Toll bridges and its ancillary facilities under the service concession arrangements are stated at cost, i.e., the fair value of the consideration received or receivable in exchange for the services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures such as repairs and maintenance are charged to the consolidated profit and loss account in the period in which they are incurred. In situations where it can be clearly demonstrated that the expenditure has resulted in an increase in the future economic benefits expected to be obtained from the use of the item, and where the cost of the item can be measured reliably, the expenditures are capitalised as an additional cost of service concession arrangement.

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

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Investment properties

Investment properties are defined as property, including land or a building, or part of a building or both, held by the owner or by the leasee under a finance lease to earn rentals or for capital appreciation or both, rather than for:-

(i) use in the production or supply of goods or services or for administration purpose; or

(ii) sale in the ordinary course of business.

An investment property is measured initially at its cost including all direct costs attributable to the property. After initial recognition, the investment property is stated at its fair value. Gains or losses arising from changes in fair value of the investment property are included in the consolidated profit and loss account for the period in which they arise.

Rental income from investment properties are accounted for, as described in item (iv) of 'Revenue recognition' below.

Impairment of assets

At each balance sheet date, the Group reviews the carrying amounts of its tangible assets and intangible assets, other than investment properties and receivables, to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset or cash-generating unit is reduced to its recoverable amount. An impairment loss is recognised immediately in the consolidated profit and loss account, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Operating leases

Leases in which a significant portion of the risks and rewards of ownership retained by the lessor are classified as operating leases. Lease payments are expensed in the consolidated profit and loss account on a straight-line basis over the lease term.

Recognition and derecognition of financial instruments

Financial assets and financial liabilities are recognised in the balance sheet when the Group becomes a party to the contractual provisions of the instruments.

Financial assets are derecognised when the contractual rights to receive cash flows from the assets expire; the Group transfers substantially all the risks and rewards of ownership of the assets; or the Group neither transfers nor retains substantially all the risks and rewards of ownership of the assets but has not retained control on the assets. On derecognition of a financial asset, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised directly in equity is recognised in the consolidated profit and loss account.

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Recognition and derecognition of financial instruments (continued)

Financial liabilities are derecognised when the obligation specified in the relevant contract is discharged, cancelled or expires. The difference between the carrying amount of the financial liability derecognised and the consideration paid is recognised in the consolidated profit and loss account.

Trade and other receivables

Trade and other receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less allowance for impairment. An allowance for impairment of trade and other receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. The amount of the allowance is the difference between the receivables' carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate computed at initial recognition. The amount of the allowance is recognised in the consolidated profit and loss account.

Impairment losses are reversed in subsequent periods and recognised in the consolidated profit and loss account when an increase in the receivables' recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the receivables at the date the impairment is reversed shall not exceed what the amortised cost would have been had the impairment not been recognised.

Cash and cash equivalents

For the purpose of the consolidated cash flow statement, cash and cash equivalents represent cash at bank and on hand, demand deposits with banks and other financial institutions, and short-term highly liquid investments which are readily convertible into known amounts of cash and subject to an insignificant risk of change in value.

Financial liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability under IFRSs. The accounting policies adopted for specific financial liabilities are set out below.

Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method.

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

Accounts payable and other payables

Accounts payable and other payables are stated initially at fair value and subsequently measured at amortised cost using the effective interest method unless the effect of discounting would be immaterial, in which case they are stated at cost.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Financial guarantee contract liabilities

Financial guarantee contract liabilities are measured initially at their fair values and are subsequently measured at the higher of:-

– the amount of the obligations under the contracts, as determined in accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets"; and

– the amount initially recognised less cumulative amortisation recognised in the income statement on a straight-line basis over the terms of the guarantee contracts.

Taxation

Income tax represents the sum of the current tax and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated profit and loss account because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences, unused tax losses or unused tax credits can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised for taxable temporary differences arising on investments in subsidiaries and interests in jointly controlled entities, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset is realised, based on tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax is charged or credited to the consolidated profit and loss account, except when it relates to items charged or credited directly to equity, in which case the deferred tax is also dealt with in equity.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue recognition

Revenue is recognised at the fair value of the consideration received / receivable and is recognised when it is probable that the economic benefits will flow to the Group and the revenue can be measured reliably on the following basis:-

(i) toll revenue, net of any applicable revenue taxes and surcharges on a cash receipt basis;

(ii) interest income, on a time proportion basis taking into account the principal amounts outstanding and the effective interest rate applicable;

(iii) revenue from the provision of services is recognised when the services are rendered;

(iv) rental income, including rental under operating lease, is recognised on a straight line basis over the term of the relevant lease.

(v) Revenue from construction and upgrade services is recognised under the percentage of completion method, measured by reference to the percentage of contract costs incurred to date to the estimated total contract costs for each contract. When the outcome of a construction and upgrade services cannot be estimated reliably, revenue is recognised only to the extent of contract costs incurred that is probable to be recoverable.

Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products and services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

In accordance with the Group's internal financial reporting, the Group has determined that business segments be presented as the primary reporting format and geographical segments as the secondary reporting format.

Segment revenue, expenses, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis to the segment. Unallocated costs mainly represent corporate expenses. Segment assets consist primarily of property, plant and equipment and trade receivables. Segment liabilities comprise operating liabilities and exclude items such as tax liabilities and corporate borrowings.

Segment revenue, expenses, assets and liabilities are determined before intra-group balances and intra-group transactions are eliminated as part of the consolidation process, except to the extent that such intra-group balances and transactions are between Group enterprises within a single segment.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Construction and upgrade services

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

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Construction and upgrade services (continued)

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

When the outcome of the construction and upgrade services, including the revenue, the costs incurred and the estimated costs to completion can be estimated reliably, costs incurred are recognised as an expense by reference to the stage of completion of the contract at the balance sheet date. The stage of completion is measured by reference to the costs incurred of the related infrastructure incurred up to the balance sheet date as a percentage of the total estimated costs for completion. When it is probable that total cost of completion will exceed total revenue, the expected loss is recognised as an expense immediately. When the outcome of a construction and upgrade services cannot be estimated reliably, costs incurred are recognised as an expense in the period in which they are incurred.

Employee benefits

(i) Pension obligations

Contributions to Mandatory Provident Fund as required under the Hong Kong Mandatory Provident Fund Schemes Ordinance are recognised as expenses in the consolidated profit and loss account as and when incurred.

Contributions to a defined contribution retirement scheme, being obligatory retirement benefits in the PRC, are charged to the consolidated profit and loss account as incurred.

(ii) Employee leave entitlements

A provision is made for the estimated liability arising from employees' accrued annual leave entitlement for annual leaves as a result of services rendered up to the balance sheet date.

(iii) Bonus plans

The Group recognised a liability and an expense for bonuses where contractually obliged or where there is a past practice that has created a constructive obligation.

(iv) Share-based payments

The Group issues equity-settled share-based payments to directors and certain employees. Equity-settled share-based payments are measured at fair value (excluding the effect of non market-based vesting conditions) of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of shares that will eventually vest and adjusted for the effect of non market-based vesting conditions.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

Notes to the Financial Statements

For the year ended 31 December 2008

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

To the extent that funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying a capitalisation rate to the expenditures on that asset. The capitalisation rate is the weighted average of the borrowing costs applicable to the borrowings of the Group that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset.

All other borrowing costs are recognised in the consolidated profit and loss account in the period in which they are incurred.

Provisions and contingent liabilities

Provisions are recognised for liabilities of uncertain timing or amount when the Group has a present legal or constructive obligation arising as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation and a reliable estimate can be made. Where the time value of money is material, provisions are stated at the present value of the expenditures expected to settle the obligation.

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow is remote.

Events after the balance sheet date

Events after the balance sheet date that provide additional information about the Group's position at the balance sheet date or those that indicate the going concern assumption is not appropriate are adjusting events and are reflected in the financial statements. Events after the balance sheet date that are not adjusting events are disclosed in the notes to the financial statements when material.

4. FINANCIAL RISK MANAGEMENT

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

(a) Foreign exchange risk

The Group has certain exposure to foreign currency risk as some of its business transactions, assets and liabilities are principally denominated in Hong Kong dollar and Singapore dollar. The Group currently does not have a foreign currency hedging policy in respect of foreign currency transactions, assets and liabilities. The Group monitored its foreign currency exposure closely at the time of preparing the financial statements and will consider hedging significant foreign currency exposure should the need arise in the future.

4. FINANCIAL RISK MANAGEMENT (continued)

(a) Foreign exchange risk (continued)

At 31 December 2008, if the Hong Kong dollar had weakened 10 per cent against Renminbi with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB61,000 (2007: RMB54,000) lower, arising mainly as a result of the foreign exchange loss on bank deposits denominated in Hong Kong dollar. If the Hong Kong dollar had strengthened 10 per cent against Renminbi with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB61,000 (2007: RMB54,000) higher, arising mainly as a result of the foreign exchange gain on bank deposits denominated in Hong Kong dollar.

At 31 December 2008, if the Singapore dollar had weakened 10 per cent against Renminbi with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB4,000 (2007: RMB7,208,000) lower, arising mainly as a result of the foreign exchange loss on bank deposits denominated in Singapore dollar. If the Singapore dollar had strengthened 10 per cent against Renminbi with all other variables held constant, consolidated profit after tax for the year would have been approximately RMB4,000 (2007: RMB7,208,000) higher, arising mainly as a result of the foreign exchange gain on bank deposits denominated in Singapore dollar.

(b) Interest rate risk

The Group has no significant interest-bearing assets and liabilities except bank deposits of approximately RMB31,821,000 (2007: RMB79,535,000), other debtors of approximately RMB185,946,000 (2007: RMB258,151,000) and due from a related company of approximately RMB4,860,000 (2007: Nil) which bear interests at fixed interest rates and therefore are subject to fair value interest rate risks. The Group's operating cash flows are substantially independent of changes in market interest rates.

(c) Credit risk

The Group conducts credit evaluations on borrowers and establishes an allowance for doubtful accounts based on estimates, factors surrounding the credit risks of specific borrower and any other relevant information.

The details of the Group's exposure to credit risk in relation to the Group's financial assets are described as follows:-

(i) Cash and bank balances

A bank balance of approximately RMB1,873,000 (2007: RMB1,976,000), was deposited in a financial institution, China Electronic Finance Limited ("CEF") at 31 December 2008. Details are set out in note 24 to the financial statements. The Group considers the credit risk is minimal as CEF is regulated by "China Banking Regulatory Commission" in the PRC.

(ii) Due from related companies

When loans are granted to related companies, advance assessment is being made by the management on the recoverability of the loans, and whenever possible, security is required.

Notes to the Financial Statements

For the year ended 31 December 2008

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

(iii) Pledge of rights to receive incomes of service concession arrangements to secure bank loans of a disposed subsidiary.

The rights to receive toll and other incomes of the Haimen and Zuowei bridges were pledged to secure a bank loan of a subsidiary disposed of in 2006 with outstanding balances of approximately RMB474,640,000 (2007: RMB503,703,000) as at 31 December 2008. The Group has entered into a contractual arrangement with the purchaser of the disposed subsidiaries to charge the equity interests of the disposed subsidiaries as security for the pledge. The Group has appointed an independent valuer to assess the fair value of the financial guarantee and considers the valuation of the guarantee which does not have material impact to the Group's financial statements. The Group considers the credit risk associated with such pledge was also mitigated by the contractual arrangement.

(iv) Other debtors

The Group's exposure to credit risk in relation to other debtors mainly arise from the following balances:

Other debtors with carrying amount of approximately RMB222,104,000 (2007: RMB308,062,000) due from the purchaser of subsidiaries disposed of in 2006 and its subsidiaries. The Group has entered into a contractual arrangement with the purchaser of the disposed subsidiaries to charge the equity interests of the disposed subsidiaries as security for the repayment of amount due from the purchaser of the disposed subsidiaries with carrying amount of approximately RMB176,613,000 (2007: RMB268,764,000). Details are set out in note 21(b) to the financial statements. The Group considers the credit risk associated with the secured balances was mitigated by the contractual arrangement. The Group considers that the maximum exposure to credit risk is the maximum balance of the unsecured balance of approximately RMB45,491,000 (2007: 39,298,000) due to the Group.

Other debtors with carrying amount of approximately RMB39,292,000 (2007:RMB41,047,000) due from the purchaser of a subsidiary disposed of in 2007. The Group has entered into a contractual arrangement with the purchaser and pursuant to the contractual arrangement, the amount previously advanced by the Group to the disposed subsidiary is repayable by the purchaser to the Group. The balance was originally due in 2008 and the Group has entered into a contractual arrangement with the purchaser to extend its credit period to 30 June 2009. The Group considers the maximum exposure to credit risk is the maximum balance of the unsecured balance due to the Group.

(v) Refundable deposits

The Group's exposure to credit risk in relation to refundable deposits arises from the following balances:

Refundable deposit of RMB150,000,000 (2007: Nil) was paid to a local government agency as a refundable deposit relating to a land development project in Beijing, PRC. No contractual arrangement has been signed between the Group and the local government agency. The Group considers the credit risk associated with the balance is minimum as the balance is refundable in nature and the maximum exposure to credit risk is the maximum balance of the refundable deposit of RMB150,000,000 (2007: Nil).

4. FINANCIAL RISK MANAGEMENT (continued)

(c) Credit risk (continued)

(v) Refundable deposits (continued)

The Group has entered into a contractual arrangement with the holders of land use right and a refundable deposit of RMB10,000,000 (2007: Nil) was paid for a possible acquisition of land use right for land development purpose. The Group considers the credit risk associated with the balance was mitigated by the contractual arrangement. The Group considers the credit risk associated with the balance is minimum as the balance is refundable in nature and the maximum exposure to credit risk is the maximum balance of the refundable deposit of RMB10,000,000 (2007: Nil).

(d) Liquidity risk

The operations are financed by the toll income. The management of the Group is to ensure that the Group has sufficient funds to meet its contractual and financial obligations. To manage liquidity risk, the Group monitors its net operating cash flow and maintains a level of cash and cash equivalent, deemed adequate by management for working capital purposes so as to mitigate the effectiveness of cash flow.

The Group's financial liabilities are all matured within one year.

(e) Fair values

The carrying amounts of the Group's financial assets and financial liabilities as reflected in the consolidated balance sheet approximate their respective fair values.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES

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

(a) Carrying amount of intangible assets

In assessing whether impairment is required for the carrying amount of the intangible assets, factors such as local economic growth rate, risk-free interest rate, required rate of return and in particular traffic growth rate, etc. have been taken into account in the assessment. The management assessed conditions prevailing at the time of preparing the financial statements to make judgement if impairment should be made to reflect the recoverable amount of the assets of the Group. The carrying amount of the intangible assets as at 31 December 2008 was approximately RMB178,078,000 (2007: RMB182,247,000).

(b) Amortisation of intangible assets

Amortisation of intangible assets are calculated to write off their costs using the unit-of-usage method. Under this method, the amortisation is determined based on the ratio of actual traffic volume for a particular period over the projected total traffic volume throughout the periods for which the Group operates those bridges. In assessing the projected total traffic volume of the toll bridges, factors such as local economic growth rate and competition from other toll roads/bridges have been taken into account in the assessment. The management assessed conditions prevailing at the time of preparing the financial statements and appropriate adjustments have been made to the projected total traffic volume on material changes. The amortisation of intangible assets for the year ended 31 December 2008 was approximately RMB8,540,000 (2007: RMB9,712,000).

Notes to the Financial Statements

For the year ended 31 December 2008

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(c) Valuation of investment properties

The Group's investment properties as referred in note 18 to the financial statements are stated at their fair values. The best evidence of fair value is current prices in an active market for similar lease terms and other contracts. In the absence of such information, the Group's management determines the amount within a range of reasonable fair value estimates. In making its judgement, active market for properties of different nature, conditions or prices of similar properties in less active markets, with adjustments to reflect any changes in economic conditions since the date of cash flow projections, based on reliable estimates of future cash flows, and (where possible) from external evidence such as current market and using discount rates that reflect current market assessments of the uncertainty in the amount and timing of cash flows. The Group's management has exercised their judgement to determine the fair value of the investment properties that is reflective of the current market conditions.

The carrying amounts of the relevant investment properties as at 31 December 2008 were RMB30,270,000 (2007: RMB30,800,000).

(d) Taxation

The Group is subject to income taxes in several jurisdictions. Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

(e) Valuation of financial guarantee in relation to the pledge of rights to receive incomes of toll bridges for bank loans of a disposed subsidiary

The rights to receive toll and other incomes of the Haimen and Zuowei bridges were pledged to secure a bank loan of a subsidiary disposed of in 2006 with outstanding balances of approximately RMB474,640,000 (2007: RMB503,703,000) as at 31 December 2008. The Group had appointed an independent valuer to assess the fair value of the guarantee and the financial impact to the Group's financial statements. Such valuation was based on certain assumptions, which are subject to uncertainty and might materially differ from the actual results. The Group considers the valuation of the guarantee does not have material impact to the Group's financial statements.

(f) Share-based payments

The fair value of the share options granted to the directors and employees determined at the date of grant of the respective share options is expensed over the vesting period, with a corresponding adjustment to the Group's share options reserve. In assessing the fair value of the share options, the Black-Scholes option pricing model (the "Black-Scholes Model") was used. The Black-Scholes Model is one of the generally accepted methodologies used to calculate the fair value of the share options. The Black-Scholes Model requires the input of subjective assumptions, including the expected dividend yield and expected life of options. Any changes in these assumptions can significantly affect the estimate of the fair value of the share options.

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

(g) Impairment assessment for bad and doubtful debts on accounts receivables, other receivables and refundable deposits

The Group makes impairment loss for bad and doubtful debts based on assessments of the recoverability of accounts receivables, other receivables and refundable deposits, including the current creditworthiness and the past collection history of each debtor. Impairments arise where events or changes in circumstances indicate that the balances may not be collectible. The identification of bad and doubtful debts requires the use of judgement and estimates. Where the actual result is different from the original estimate, such difference will impact the carrying value of accounts receivables, other receivables and refundable deposits and doubtful debt expenses in the year in which such estimate has been changed.

Critical judgements in applying Group's accounting policies

In the process of applying the accounting policies, the directors have made the following judgements that have the most significant effect on the amounts recognised in the financial statements apart from those involving estimations, which are dealt with below.

(a) Ownership of a jointly controlled entity disposed of during the year

On 31 December 2008, the Group entered into a sale and purchase agreement with a third party to dispose of its entire interest of 40% investment in Tianjin New Beitang Development Limited ("New Beitang JV") at a consideration of RMB75,000,000.

Pursuant to the sale and purchase agreement, completion is conditional upon consents and approvals as required under all applicable laws and regulations for the transaction. The transaction was approved at the Special General Meeting ("SGM") held on 13 March 2009. On 31 December 2008, the legal ownership of the equity interest in New Beitang JV has not yet been transferred to the purchaser. The parties to the disposal have agreed that the disposal shall be deemed to have taken effect on 31 December 2008 as the purchaser has taken over the Group's control of New Beitang JV, notwithstanding that the SGM has not taken place as at 31 December 2008. The Group's management considers that the Group's interests have been transferred to the purchaser and has de-recognised those equity interests in New Beitang JV on the grounds that they expect the transfer of legal titles to be effected in due course and that the Group has in substance disposed of the equity interests on 31 December 2008.

(b) Ownership of investment properties

Certain investment properties as referred in note 18 to the financial statements are owned legally by a disposed subsidiary as at 31 December 2008. Despite the fact that the Group does not own these investment properties, the Group has entered into contractual arrangement with the disposed subsidiary in 2006 so that the Group is entitled to substantially all of the controls and economic benefits of the investment properties under this arrangement. In particular, the disposed subsidiary is required to transfer its ownership of the investment properties to the Group or the Group's designee upon the Group's request. Based on the above, the Group's management considers that the Group retains the ownership through contractual arrangement with the legal owner and determine to recognise those properties as investment properties on the grounds that they expect the transfer of legal ownership in future should have no major difficulties.

The carrying amount of the relevant investment properties as at 31 December 2008 were approximately RMB16,500,000 (2007: RMB30,800,000).

Notes to the Financial Statements

For the year ended 31 December 2008

5. CRITICAL JUDGEMENTS AND KEY ESTIMATES (continued)

Critical judgements in applying Group's accounting policies (continued)

(c) Ownership of a subsidiary disposed of in 2007

Prior to the disposal of the subsidiary, the legal ownership of the equity interests in a subsidiary disposed of in 2007 had not been fully transferred to the Group. Despite the fact that the Group had not obtained the relevant legal titles of the equity interests, the Group's management considered that the Group retained the interests through contractual arrangement with the legal owners and determines to recognise those equity interests as interests in subsidiary, on the grounds that the Group has in substance controlled the equity interests of the subsidiary prior to the disposal.

At date of disposal and at 31 December 2008, the legal ownership of the equity interests in the disposed subsidiary has not yet been fully transferred to the purchaser. Despite the fact that the relevant legal titles of the equity interests have not yet been fully transferred to the purchaser, the Group's management considers that the Group's interests have been transferred to the purchaser through contractual arrangement with the purchaser and has de-recognised those equity interests in subsidiary on the grounds that they expect the transfer of legal titles in future should have no major difficulties and the Group has in substance disposed of the equity interests on 30 June 2007.

6. TURNOVER

The Group's turnover which represents the gross amount of toll income received and management fee for toll bridge less 5% of the PRC business tax paid are as follows:-

	Group	
	2008	**2007**
	RMB'000	**RMB'000**
Toll income	38,980	37,196
Management fee for toll bridge	6,000	6,000
	44,980	43,196
Less: PRC business tax	(1,949)	(1,860)
	43,031	41,336

7. OTHER INCOME

	Group	
	2008 RMB'000	2007 RMB'000
Interest income	16,733	10,718
Rental income, net	1,740	1,479
Consultancy fee income	–	6,175
Loss on fair value changes of investment properties	(994)	–
Gain / (Loss) on disposal of property, plant and equipment	6	(169)
Gain on disposal of a jointly controlled entity	23,000	–
Gain on disposal of a subsidiary	–	13,106
Loss on exchange, net	(2,739)	(789)
Refund of PRC business tax	369	–
Refund of PRC income tax	306	–
Other income	159	4
	38,580	30,524

8. SEGMENT INFORMATION

(a) Primary report format - business segments

The Group is organised into two main business segments:-

Toll collection – toll income of toll bridges
Management of toll bridge – operation management of a toll bridge

(b) Secondary reporting format - geographical segments

Over 90% of the Group's revenue and assets are derived from customers and operation based in the PRC and accordingly, no further analysis of the Group's geographical segments is disclosed.

Notes to the Financial Statements

For the year ended 31 December 2008

8. SEGMENT INFORMATION (continued)

Primary reporting format - business segments

	Toll collection RMB'000	Management of toll bridge RMB'000	Consolidated RMB'000
Year ended 31 December 2008			
Revenue	37,031	6,000	43,031
Segment results	17,400	3,841	21,241
Other income			38,580
Unallocated expenses			(13,228)
Profit from operations			46,593
Finance costs			(28)
Share of profit of a jointly controlled entity			606
PROFIT BEFORE TAX			47,171
As at 31 December 2008			
Segment assets	182,597	6,000	188,597
Unallocated assets			615,331
Total assets			803,928
Segment liabilities	28,157	–	28,157
Unallocated liabilities			32,887
Total liabilities			61,044
Other segment information:			
Captial expenditure	4,494	–	4,494
Unallocated amounts			1,476
			5,970
Depreciation and amortisation	8,949	–	8,949
Unallocated amounts			1,357
			10,306

8. SEGMENT INFORMATION (continued)

Primary reporting format - business segments (continued)

	Toll collection RMB'000	Management of toll bridge RMB'000	Consolidated RMB'000
Restated			
Year ended 31 December 2007			
Revenue	35,336	6,000	41,336
Segment results	14,875	4,010	18,885
Other income			30,524
Unallocated expenses			(14,311)
Profit from operations			35,098
Finance costs			(22)
Share of losses of jointly controlled entities			(1,453)
PROFIT BEFORE TAX			33,623
As at 31 December 2007			
Segment assets	186,498	6,000	192,498
Unallocated assets			588,215
Total assets			780,713
Segment liabilities	27,375	–	27,375
Unallocated liabilities			14,431
Total liabilities			41,806
Other segment information:			
Captial expenditure	–	–	–
Unallocated amounts			333
			333
Depreciation and amortisation	10,272	–	10,272
Unallocated amounts			627
			10,899

9. FINANCE COSTS

	Group 2008 RMB'000	Group 2007 RMB'000
Bank charges	28	22

Notes to the Financial Statements

For the year ended 31 December 2008

10. SALARIES AND EMPLOYEE BENEFITS (INCLUDING DIRECTORS' REMUNERATION)

		Group	
		2008	2007
	Note	RMB'000	RMB'000
Wages and salaries		10,616	10,618
Other staff welfare		2,126	2,129
Share-based payments to directors and employees		288	2,697
Pension costs of defined contribution plans	(a)	1,080	995
		14,110	16,439

Note :

(a) The Group operates a mandatory provident fund scheme (the "MPF Scheme") under the Hong Kong Mandatory Provident Fund Schemes Ordinance for all qualifying employees in Hong Kong. The Group's contributions to the MPF Scheme are calculated at 5% of the salaries and wages subject to a monthly maximum amount of HK$1,000 per employee and vest fully with employees when contributed into the MPF Scheme.

The employees of the Group's subsidiary established in the PRC are members of a central pension scheme operated by the local municipal government. These subsidiaries are required to contribute certain percentage of the employees' basic salaries and wages to the central pension scheme to fund the retirement benefits. The local municipal governments undertake to assume the retirement benefits obligations of all existing and future retired employees of this subsidiary. The only obligation of these subsidiaries with respect to the central pension scheme is to meet the required contributions under the scheme.

(b) Directors' remuneration

	Group	
	2008	2007
	RMB'000	RMB'000
Directors' fees	1,310	1,260
Salaries and other short term benefits	1,315	2,650
Share-based payments	288	2,548
	2,913	6,458

Details of number of directors, including both directors and an ex-director resigned in 2008 in remuneration bands for the financial year ended 31 December were:-

	2008	2007
Below S$250,000 (Below RMB1,189,100)	6	3
S$250,000 to S$499,999 (RMB1,189,100 to RMB2,378,199)	–	1
S$500,000 and above (RMB2,378,200 and above)	–	1
	6	5

10. SALARIES AND EMPLOYEE BENEFITS (INCLUDING DIRECTORS' REMUNERATION) (continued)

(b) Directors' remuneration (continued)

Directors' remuneration included equity-settled share-based payments of approximately RMB288,000 (2007: RMB2,548,000) in respect of share options granted on 25 March 2006 and 6 August 2008. Details of the options are set out in note 28 to the financial statements.

11. INCOME TAX EXPENSE

(a) Income tax expense

The amount of taxation charged / (credited) to the consolidated profit and loss account represents:-

	Group	
	2008	**2007**
	RMB'000	**RMB'000**
Current tax - PRC enterprise income tax		
- Provision for the year	13,220	1,184
- Under provision in prior years	149	47
	13,369	1,231
Deferred tax (note (b))	(654)	4,943
	12,715	6,174

Pursuant to relevant laws and regulations in the PRC, the subsidiary Zuowei JV is entitled to a reduction from PRC enterprise income tax. The tax rate applicable to Zuowei JV, after the reduction, is 18% in 2008 (2007: 16.5%).

Pursuant to relevant laws and regulations in the PRC, the subsidiary Haimen JV is entitled to a reduction from PRC enterprise income tax. The tax rate applicable to Haimen JV, after the reduction, is 18% in 2008 (2007: 15%).

Pursuant to relevant laws and regulations in the PRC, other subsidiaries in the PRC are required to pay PRC enterprise income tax at a standard rate of 25%.

No provision for Hong Kong Profits Tax is required since there is no assessable profit for the year.

Tax charges on profits assessable elsewhere have been calculated at the rates of tax prevailing in the countries in which the Group operates, based on existing legislation, interpretation and practices in respect thereof.

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For the year ended 31 December 2008

11. INCOME TAX EXPENSE (continued)

(a) Income tax expense (continued)

The taxation of the Group's profit before tax differs from the theoretical amount that would arise using the taxation rate of the principal place of operation of the Group as follows:-

	Group 2008 RMB'000	Group 2007 RMB'000
Profit before tax	47,171	33,623
Tax charged at domestic income tax rate of 18% (2007: 15%)	8,491	5,043
Effect of different tax rates of subsidiaries	1,384	26
Tax effect on non-taxable income	(250)	(6,437)
Tax effect on non-deductible expenses	2,673	2,838
Under provision of income tax in prior years	149	47
Tax effect of temporary difference recognised	–	4,943
Tax effect of utilisation of tax credit granted	(170)	(286)
Others	438	–
Income tax expense	12,715	6,174

The new PRC enterprise income tax law ("New Law") passed by the Tenth National People's Congress on 16 March 2007 introduces various changes which include but not limit to the unification of the enterprise income tax rate for domestic and foreign enterprises at 25%. The new tax law was effective from 1 January 2008. On 26 December 2007, the State Council announced the detailed measures and regulations of the New Law ("Implementation Rules"). The Implementation Rules ratcheted the PRC enterprise income tax rate from 15% to 25% over five years for grandfathering of incentives. The tax rate would be 18%, 20%, 22%, 24% and 25% in 2008, 2009, 2010, 2011 and 2012 respectively. The deferred tax balances have been adjusted to reflect the tax rates that are expected to apply to the respective periods when the asset is realised or the liability is settled.

(b) Deferred taxation

The following are the major deferred tax liabilities and assets recognised by the Group:-

	Accelerated tax depreciation RMB'000	Fair value gain on investment properties RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2007	379	–	8	387
Charged to consolidated profit and loss account for the year	211	1,919	2,813	4,943
As at 31 December 2007 and 1 January 2008	590	1,919	2,821	5,330
Charged to consolidated profit and loss account for the year	524	(248)	(930)	(654)
As at 31 December 2008	1,114	1,671	1,891	4,676

11. INCOME TAX EXPENSE (continued)

(b) Deferred taxation (continued)

The following is an analysis of the deferred tax balances (after offset) for balance sheet purposes:-

	Group 2008 RMB'000	Group 2007 RMB'000
Deferred tax liabilities	4,676	5,330
Deferred tax assets	–	–
	4,676	5,330

12. PROFIT FOR THE YEAR

The Group's profit for the year is arrived at after charging the following:-

	Group 2008 RMB'000	Group 2007 RMB'000 Restated
Cost of services provided includes:-		
Amortisation of intangible assets	8,540	9,712
Staff costs (excluding directors' remuneration)	9,524	8,633
Depreciation of property, plant and equipment	1,766	1,187
Other staff costs (excluding directors' remuneration)	1,673	1,348
Amortisation of investment in a PRC subsidiary	–	263
Operating lease rental payments	735	680
Loss on fair value changes of investment properties	994	–
Auditors' remuneration	833	987

13. PROFIT FOR THE YEAR ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY

The profit for the year attributable to equity holders of the Company included a profit of approximately RMB14,400,000 (2007: RMB14,196,000) which has been dealt with in the financial statements of the Company.

Notes to the Financial Statements

For the year ended 31 December 2008

14. DIVIDEND

	2008 S$'000	2007 S$'000
Proposed final dividend	3,045	3,160
	RMB'000	RMB'000
Equivalent to	13,578	16,164

The final dividend of 0.35 Singapore cents (2007: 0.35 Singapore cents) per ordinary share proposed by the board of directors is subject to approval by the shareholders in annual general meeting. Such dividend is not reflected as dividend payable in the financial statements for the year ended 31 December 2008.

15. EARNINGS PER SHARE

Basic

The calculation of basic earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately RMB30,080,000 (2007: RMB26,067,000) and the weighted average number of ordinary shares of 884,391,898 ordinary shares (2007: 761,204,188 ordinary shares) in issue during the year.

Diluted

The calculation of diluted earnings per share attributable to equity holders of the Company is based on the profit for the year attributable to equity holders of the Company of approximately RMB30,080,000 (2007: RMB26,067,000) and the weighted average number of ordinary shares of 886,816,655 (2007: 790,811,823 ordinary shares), being the weighted average number of ordinary shares of 884,391,898 (2007: 761,204,188 ordinary shares) in issue during the year used in the basic earnings per share calculation plus the weighted average number of ordinary shares of 2,424,757 (2007: 29,607,635 ordinary shares) assumed to have been issued at no consideration on the deemed exercise of the share options outstanding at the balance sheet date.

The calculation of basic and diluted earnings per share is based on the following:-

	Group	
	2008 RMB'000	2007 RMB'000
Earnings		
Earnings for the purpose of calculating basic and diluted earnings per share	30,080	26,067
Number of shares (in Thousands)		
Issued ordinary shares at 1 January	902,988	751,988
Effect of repurchase and cancellation of shares	(18,596)	–
Effect of consideration shares issued	–	9,216
Weighted average number of ordinary shares for the purpose of calculating basic earnings per share	884,392	761,204
Effect of dilutive potential ordinary shares arising from share options outstanding	2,425	29,608
Weighted average number of ordinary shares for diluted earnings per share	886,817	790,812

16. PROPERTY, PLANT AND EQUIPMENT

Group	Toll bridges and ancilliary facilities RMB'000	Buildings RMB'000	Leasehold improvements RMB'000	Plant and machinery RMB'000	Office equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Cost								
At 1 January 2007								
As previously stated	362,389	15,601	7	2,023	3,103	2,404	651	386,178
Effect of adopting IFRIC - Int 12 (Note 2)	(362,389)	–	–	–	–	–	–	(362,389)
As restated	–	15,601	7	2,023	3,103	2,404	651	23,789
Additions	–	–	–	–	235	98	–	333
Transfer	–	–	–	–	651	–	(651)	–
Disposals	–	–	(7)	–	(112)	(650)	–	(769)
At 31 December 2007 and at 1 January 2008	–	15,601	–	2,023	3,877	1,852	–	23,353
Additions	–	522	–	29	132	452	–	1,135
Disposals	–	–	–	(296)	–	(62)	–	(358)
At 31 December 2008	–	16,123	–	1,756	4,009	2,242	–	24,130
Accumulated depreciation and impairment								
At 1 January 2007								
As previously stated	170,430	3,032	7	1,752	2,793	729	–	178,743
Effect of adopting IFRIC - Int 12 (Note 2)	(170,430)	–	–	–	–	–	–	(170,430)
As restated	–	3,032	7	1,752	2,793	729	–	8,313
Charge for the year	–	521	–	212	111	343	–	1,187
Disposals	–	–	(7)	–	(112)	(140)	–	(259)
At 31 December 2007 and at 1 January 2008	–	3,553	–	1,964	2,792	932	–	9,241
Charge for the year	–	1,088	–	57	276	345	–	1,766
Disposals	–	–	–	(296)	–	(62)	–	(358)
At 31 December 2008	–	4,641	–	1,725	3,068	1,215	–	10,649
Carrying amount								
At 31 December 2008	–	11,482	–	31	941	1,027	–	13,481
At 31 December 2007 (Restated)	–	12,048	–	59	1,085	920	–	14,112

All the Group's buildings are located in the PRC.

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17. INTANGIBLE ASSETS

Group	Service concession arrangements RMB'000
Cost:	
At 1 January 2007	
As previously stated	–
Effect of adopting IFRIC - Int 12 (Note 2)	362,389
As restated at 1 January 2007, 31 December 2007 and 1 January 2008	362,389
Additions	4,371
At 31 December 2008	366,760
Accumulated amortisation:	
At 1 January 2007	
As previously stated	–
Effect of adopting IFRIC - Int 12 (Note 2)	170,430
As restated at 1 January 2007	170,430
Charge for the year	9,712
At 31 December 2007 and 1 January 2008	180,142
Charge for the year	8,540
At December 2008	188,682
Carrying amount:	
At 31 December 2008	178,078
At 31 December 2007 (Restated)	182,247

Pursuant to the joint venture agreements signed with local government, the Group operates and collects tolls from the Haimen bridge and Zuowei bridge for a period of 25 years from the date of commencement of their operation in March 1998 and February 1999 respectively. Upon expiration of the respective concession periods, the Toll bridges and its ancillary facilities shall be transferred to the local government without compensation.

The use of land on which the Haimen bridge and its related ancillary facilities are situated is guaranteed by Tianjin Tanggu District Land Bureau as no land use rights certificate has been issued for the use of the relevant land.

The rights to receive toll and other income of the Haimen and Zuowei bridges were pledged to secure a bank loan of a disposed subsidiary with outstanding balances of approximately RMB474,640,000 (2007: RMB503,703,000) as at 31 December 2008. The Group had entered into a contractual arrangement to charge over the equity interests of the disposed subsidiary to secure the pledge.

18. INVESTMENT PROPERTIES

	Group	
	2008	2007
	RMB'000	RMB'000
At 1 January	30,800	30,800
Additions	464	–
Loss on fair value changes	(994)	–
At 31 December	30,270	30,800

Investment properties were stated at fair value as determined by the directors by reference to market evidence of recent transactions for similar properties.

Investment properties with carrying amounts of approximately RMB16,500,000 (2007: RMB30,800,000) are owned legally by a disposed subsidiary of the Group. The Group has entered into a contractual arrangement with the disposed subsidiary so that the Group is entitled to substantially all of the controls and economic benefits of the investment properties under this arrangement. In particular, the disposed subsidiary is required to transfer its ownership of the investment properties to the Group or the Group's designee upon the Group's request. Based on the above, the directors regard these investment properties as investment properties of the Group.

During the year, the Group incurred direct operating expenses (including repairs and maintenance) for investment properties of approximately RMB204,000 (2007: RMB78,000).

19. INTERESTS IN SUBSIDIARIES

	Company	
	2008	2007
	RMB'000	RMB'000
Unlisted investments, at cost	264,060	264,060
Due from subsidiaries	172,860	94,711
	436,920	358,771
Less: Impairment losses	(53,800)	(51,300)
	383,120	307,471

The amounts due from subsidiaries are unsecured, interest-free and have no fixed terms of repayments.

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For the year ended 31 December 2008

19. INTERESTS IN SUBSIDIARIES (continued)

The particulars of the subsidiaries are as follows:-

	Name of company	Place of incorporation/ establishment	Issued and paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing	Principal activities
	Directly held:-				
+&	Hebei Bridges Investments Limited ("HBIL")	Samoa	US$2,891,567	100%	Investment holding
+&	Tianjin Bridges Investments Limited ("TBIL")	Samoa	US$28,915,663	100%	Investment holding and bridge management consultancy
+δ	China Toll Bridges & Roads (S) Pte. Limited	Singapore	US$9,780	100%	Dormant
+%	China Infrastructure Management (Hong Kong) Limited	Hong Kong	HK$10,000	100%	Provision of management services to the Group
+&	China (Tianjin) Water Resources Limited ("CTWRL")	Samoa	US$1	100%	Investment holding and waterpipe construction consultancy
+&	CIHL City Development Limited	Samoa	US$1	100%	Investment holding and investment property holding
+&	CIHL Development Limited	Samoa	US$1	100%	Business not yet commenced

19. INTERESTS IN SUBSIDIARIES (continued)

The particulars of the subsidiaries are as follows:- (continued)

	Name of company	Place of incorporation/ establishment	Issued and paid-up capital	Percentage of interest in ownership/ voting power/ profit sharing	Principal activities
	Indirectly held:-				
+@	CCI Andi Bridges Co., Ltd ("Zuowei JV")	PRC	US$2,410,000	85% / 66.7% / 60%*	Toll bridge operations and management
+#	CIH (Tianjin) Haimen Bridge Ltd ("Haimen JV")	PRC	RMB48,000,000	75% / 66.7% / 66.7%**	Toll bridge operations and management
+^	CIHL (Tianjin) Enterprise Development Limtied ("CITE")	PRC	RMB107,702,750	100%	Investment holding and property investment

+ Local statutory financial statements not audited by RSM Nelson Wheeler.

& Not required to be audited under the laws of country of incorporation.

δ Local statutory financial statements for the year ended 31 December 2007 were audited by Robert Tan & Co, Certified Public Accountants, Singapore; local statutory financial statements for the year ended 31 December 2008 have not yet been issued by the local auditor.

@ Local statutory financial statements for the year ended 31 December 2007 were audited by Zhangjiakou Zhangyuan Certified Public Accountants; local statutory financial statements for the year ended 31 December 2008 have not yet been issued by the local auditor.

Local statutory financial statements for the year ended 31 December 2008 were audited by Tianjin Jinping Xietong Limited Liability Certified Public Accountants.

^ CITE is incorporated on 25 February 2008 and no statutory audited financial statements has been issued. CITE also operates a branch office 中翔基建(天津)實業發展有限公司北京物業管理分公司 ("CITE Beijing Branch") with statutory registration in Beijing, PRC.

% Local statutory financial statements for the years ended 31 December 2007 and 2008 have not yet been issued by the local auditor.

* HBIL's share of earnings in Zuowei JV is 60% and will be decreased to 55% from 2012 and thereafter.

** At the end of the tenth year of the joint venture period which is the year 2008, TBIL's share of registered capital and earnings in Haimen JV was reduced from 75% to 66.7%. As a result, the reduction in carrying amount of the investment and reserves of Haimen JV from 75% to 66.7% are amortised on a straight-line basis over a period of ten years.

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20. INVESTMENT IN A JOINTLY CONTROLLED ENTITY / ENTITIES

	Group	
	2008 RMB'000	2007 RMB'000
Unlisted investments:-		
Share of net assets	32,941	82,335

Details of the jointly controlled entity at 31 December 2008 are as follows:-

	Name of company	Place of establishment	Paid-up capital	Percentage of interest in ownership	Principal activities
+δ	CIHL (Tianjin) Water Development Co., Ltd. ("Water Development JV")	PRC	RMB60,000,000	60%	Construction of water pipeline and supply of non-residential water

\+ Local statutory financial statements not audited by RSM Nelson Wheeler.

δ Local statutory financial statements for the year ended 31 December 2007 were audited by Tianjin Zhonglian Certified Public Accountants Co., Ltd.; local statutory financial statements for the year ended 31 December 2008 have not yet been issued by the local auditor.

Water Development JV, in which the Group holds 60% interest, operates under a contractual arrangement between CTWRL and a PRC JV partner. The Water Development JV is subject to joint control of CTWRL and the PRC JV partner.

The following amounts are the Group's share of the jointly controlled entity / entities that are accounted for by the equity method of accounting:-

	2008 RMB'000	2007 RMB'000
At 31 December		
Non-current assets	34,730	39,167
Current assets	8,423	511,139
Current liabilities	(10,212)	(347,971)
Non-current liabilities	–	(120,000)
Net assets	32,941	82,335
Year ended 31 December		
Turnover	3,082	415,902
Expenses	2,476	417,355

21. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES

		Group		Company	
		2008	2007	2008	2007
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Deposits		312	309	57	–
Prepayments		1,183	713	269	274
Interest receivable		16,483	9,995	16,483	9,995
Management fee receivable		6,000	6,000	–	–
Receivables on disposal of a jointly controlled entity	(a)	75,000	–	–	–
Other debtors	(b)	241,834	335,554	234,275	332,213
Compensation receivable		–	28,000	–	–
		340,812	380,571	251,084	342,482

As at 31 December 2008, balances of approximately RMB16,483,000 (2007: RMB36,947,000) were past due but not impaired. An aging analysis of these debtors is as follows:-

		Group		Company	
		2008	2007	2008	2007
	Note	RMB'000	RMB'000	RMB'000	RMB'000
Within one year		16,483	8,947	16,483	8,947
More than one year		–	28,000	–	–
		16,483	36,947	16,483	8,947

As at 31 December 2008, balances of approximately RMB237,272,000 (2007: RMB308,764,000) have been due in 2008 and the Group has entered into contractual arrangements with the debtors to extend their credit periods to 30 June 2009. No impairments were made during the year.

Note :

(a) The amount represents receivables on disposal of a jointly controlled entity, Tianjin New Beitang Development Limited, during the year as referred in the note 32(a) to the financial statements.

(b) Other debtors at 31 December 2008 include:-

(i) Balances due from the purchaser of subsidiaries disposed of in 2006 and its subsidiaries with carrying amount of approximately RMB202,605,000 (2007: RMB293,115,000). In 2006, the Group and the purchaser of the disposed subsidiaries entered into a contractual arrangement in which the amount previously advanced by the Group to the disposed subsidiaries of approximately RMB268,764,000 was repayable on 30 June 2007. In 2007, the Group and the purchaser of the disposed subsidiaries entered into a contractual arrangement in which the unsettled balance together with additional advancement, totaling approximately RMB293,115,000, was repayable to the Group on 30 June 2008. In 2008, the Group entered into a further contractual arrangement with the purchaser of the disposed subsidiaries to extend the credit period for the unsettled balance together with additional advancement, totaling approximately RMB202,605,000, to 30 June 2009. Approximately RMB149,637,000 (2007: RMB218,151,000) are interest bearing at 8% per annum and of which approximately RMB176,613,000 (2007: RMB268,764,000) are secured by the equity interest of the disposed subsidiaries.

Notes to the Financial Statements

For the year ended 31 December 2008

21. ACCOUNTS RECEIVABLE, PREPAYMENTS AND OTHER RECEIVABLES (continued)

(b) Other debtors at 31 December 2008 include:- (continued)

(ii) Balance of RMB36,309,000 (2007: RMB40,000,000) due from a third party, the purchaser of a subsidiary disposed of in 2007. In 2006, the Group advanced an interest free loan of RMB40,000,000 to the disposed subsidiary. In 2007, the Group and the third party entered into a contractual arrangement, in which the amount due was repayable to the Group on 30 June 2008. In 2008, the Group entered into a further contractual arrangement with the third party to extend the credit period to 30 June 2009. The amount due was interest bearing at 8% per annum and unsecured.

22. REFUNDABLE DEPOSITS

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Refundable deposits	160,000	–	–	–

Refundable deposits at 31 December 2008 comprise:-

(a) Refundable deposits of RMB150,000,000 paid to a local government agency as deposits relating to a land development project in Beijing, PRC. No contractual arrangement has been signed between the Group and the local government agency. The deposit is refundable pending the results of the tender for the land development project.

(b) RMB10,000,000 deposit paid to the holders of land use right for a possible acquisition of land use right for land development purpose. On 10 June 2008, the Group entered into a contractual agreement in relation to an acquisition of land use right of a land located in Beijing, PRC for a total consideration of RMB250,000,000. Pursuant to the contractual arrangement, the acquisition of land use right will be completed when the holders of the land use right commence the pre-construction work and approval for the land development project is obtained from the local government. RMB10,000,000 was paid upon the inception of the contractual arrangement and the remaining RMB240,000,000 is due for payment 30 days after the holders of the land use right commenced the pre-construction work and approval for the land development project is obtained from the local government.

Pursuant to the contractual arrangement, the deposit is refundable and the arrangement can be terminated subject to the mutual agreement between the Group and the holders of land use right. Approval from the local government had not yet been obtained and the pre-construction work has not commenced at 31 December 2008.

23. DUE FROM A JOINLTY CONTROLLED ENTITY / A MINORITY SHAREHOLDER

The amounts due from a jointly controlled entity and a minority shareholder are unsecured, interest-free and have no fixed repayment terms.

24. CASH AND BANK BALANCES

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Restricted bank balances	1,873	1,976	–	–
Cash and bank balances	29,979	77,559	1	1
	31,852	79,535	1	1

For the restricted bank balances, the Group is required to obtain approval from CEF for use of funds deposited in CEF totaling RMB1,873,000 as at 31 December 2008 (2007: RMB1,976,000).

Bank and cash balances are denominated in the following currencies:-

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Currency				
Renminbi	30,852	6,992	–	–
Hong Kong dollars	941	438	–	–
United States dollars	16	4	–	–
Singapore dollars	43	72,101	1	1
	31,852	79,535	1	1

25. DUE TO A JOINTLY CONTROLLED ENTITY / A DIRECTOR

The amounts due are unsecured, interest-free and have no fixed repayment terms.

26. ACCOUNTS PAYABLE, OTHER PAYABLES AND ACCRUALS

	Group		Company	
	2008 RMB'000	2007 RMB'000	2008 RMB'000	2007 RMB'000
Accounts payable	721	83	–	–
Accruals	3,959	5,300	993	1,060
Other payables	2,662	1,765	–	169
	7,342	7,148	993	1,229

Notes to the Financial Statements
For the year ended 31 December 2008

27. DUE TO MINORITY SHAREHOLDERS

	Group 2008 RMB'000	Group 2007 RMB'000
Due to PRC JV partner of Zuowei JV	8,000	8,000
Due to PRC JV partner of Haimen JV	18,000	18,000
	26,000	26,000

The amounts due to minority shareholders are unsecured, interest-free and have no fixed repayment terms.

28. SHARE CAPITAL

Shares

	Company 2008 S$'000	Company 2007 S$'000
Authorised:-		
20,000,000,000 ordinary shares of S$0.05 each		
(2007: 20,000,000,000 shares of S$0.05 each)	1,000,000	1,000,000

	Number of shares '000	Amount RMB'000
Issued and fully paid:-		
Ordinary shares of S$0.05 each		
At 1 January 2007	751,988	188,529
Issue of shares on placement	150,000	38,365
Issue of shares on options exercised	1,000	250
At 31 December 2007 and 1 January 2008	902,988	227,144
Repurchase and cancellation of ordinary shares	(32,884)	(8,324)
At 31 December 2008	870,104	218,820

During the year, the Group repurchased and cancelled 32,884,000 of its own shares through purchases on the Singapore Exchange Securities Trading Limited. The total amount paid to acquire the shares was RMB13,935,000 and has been deducted from the share capital and share premium account. An amount equivalent to par value of the ordinary shares cancelled was transferred to the capital redemption reserve as set out in the consolidated statement of changes in equity.

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern and to maximise the return to the shareholders through the optimisation of the debt and equity balance.

28. SHARE CAPITAL (continued)

Shares (continued)

The Group sets the amount of capital in proportion to risk. The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the payment of dividends, issue new shares, repurchase shares, raise new debts, redeem existing debts or sell assets to reduce debts.

Other than the amounts due to a jointly controlled entity and due to minority shareholders as set out in notes 25 and 27 to the financial statements above, the Group has insignificant external borrowings. The debt-to-adjusted capital ratio does not provide a meaningful indicator of the risk of borrowings.

According to the Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited, at least 10% of the Company's shares should be held in the hands of the public.

Apart from the above the Group is not subject to any other externally imposed capital requirements.

Share options

Details of the specific categories of options are pursuant to CIHL Share Options Scheme adopted on 10 May 2004 (the "Scheme") granted as follows:-

Date of grant	Vesting period	Exercise period	Exercise price
			S$
3 August 2004	40% of 81,000,000 options to be vested on 3 August 2005	3 August 2005 to 2 August 2009	0.06
	30% of 81,000,000 options to be vested on 3 August 2006	3 August 2006 to 2 August 2009	0.06
	30% of 81,000,000 options to be vested on 3 August 2007	3 August 2007 to 2 August 2009	0.06
25 March 2006	40% of 4,500,000 options to be vested on 25 March 2007	25 March 2007 to 24 March 2011	0.05
	30% of 4,500,000 options to be vested on 25 March 2008	25 March 2008 to 24 March 2011	0.05
	30% of 4,500,000 options to be vested on 25 March 2009	25 March 2009 to 24 March 2011	0.05
6 August 2008	40% of 4,500,000 options to be vested on 6 August 2009	6 August 2009 to 5 August 2013	0.07
	30% of 4,500,000 options to be vested on 6 August 2010	6 August 2010 to 5 August 2013	0.07
	30% of 4,500,000 options to be vested on 6 August 2011	6 August 2011 to 5 August 2013	0.07

Notes to the Financial Statements

For the year ended 31 December 2008

28. SHARE CAPITAL (continued)

Share options (continued)

The share options expire if the share options remain unexercised after a period of 5 years from the date of grant. Share options are forfeited if the employee leaves the Group before the share options vest. Share options previously vested would be lapsed one year after if the employee leaves the Group, unless the remuneration committee otherwise approved.

	2008		2007	
	Number of share options	Weighted average exercise price	Number of share options	Weighted average exercise price
		S$		S$
Outstanding at the beginning of the year	80,000,000	0.0594	82,800,000	0.0595
Granted during the year	4,500,000	0.0700	–	N/A
Forfeited during the year	–	–	(1,800,000)	0.0600
Exercised during the year	–	–	(1,000,000)	0.0600
Expired during the year	–	–	–	N/A
Outstanding at the end of the year	84,500,000	0.0600	80,000,000	0.0594
Exercisable at the end of the year	78,650,000	0.0596	77,300,000	0.0598

The share options outstanding at the end of the year have a weighted average remaining contractual life of 0.9 years (2007: 1.7 years) and the exercise prices range from S$0.05 to S$0.07 (2007: S$0.05 to S$0.06). In 2008, 4,500,000 options were granted on 6 August 2008 and the estimated fair value of the options granted were S$0.033, S$0.03 and S$0.026 to be vested on 6 August 2009, 6 August 2010 and 6 August 2011 respectively. The share-based payments to directors and executives recognised in the consolidated profit and loss account was approximately RMB288,000 for the year 2008 (2007: RMB2,697,000).

These fair values were calculated by using Black-Scholes Pricing Model. The inputs were as follows:

	2008		
	To be vested on 6 Aug 2009 S$	To be vested on 6 Aug 2010 S$	To be vested on 6 Aug 2011 S$
Share price	0.07	0.07	0.07
Exercise price	0.07	0.07	0.07
Expected volatility	63.79%	68.41%	76.20%
Expected life	5 years	5 years	5 years
Risk free rate	2.3350%	2.6550%	2.6550%
Expected dividend yield	0%	0%	0%

29. RESERVES

(a) Group

The amounts of the Group's reserves and the movements therein are presented in the consolidated statement of changes in equity.

(b) Company

	Share premium RMB'000	Contributed surplus RMB'000	Capital reserve RMB'000	Capital redemption reserve RMB'000	Share options reserve RMB'000	Accumulated losses RMB'000	Proposed final dividend RMB'000	Total RMB'000
At 1 January 2007	15,584	565,589	479	–	11,311	(222,684)	8,159	378,438
Profit for the year and total recognised income and expense for the year	–	–	–	–	–	14,196	–	14,196
Issue of shares on options exercised	220	–	–	–	(171)	–	–	49
Issue of shares on placement	34,360	–	–	–	–	–	–	34,360
Payment of dividends	–	–	–	–	–	–	(8,159)	(8,159)
Recognition of share-based payments	–	–	–	–	2,697	–	–	2,697
Share options forfeited	–	–	–	–	(307)	307	–	–
2007 proposed final dividend	–	–	–	–	–	(16,164)	16,164	–
At 31 December 2007 and at 1 January 2008	50,164	565,589	479	–	13,530	(224,345)	16,164	421,581
Profit for the year and total recognised income and expense for the year	–	–	–	–	–	14,400	–	14,400
Repurchase of shares	(5,611)	–	–	8,324	–	(8,324)	–	(5,611)
Payment of dividends	–	–	–	–	–	–	(16,164)	(16,164)
Recognition of share-based payments	–	–	–	–	288	–	–	288
2008 proposed final dividend	–	–	–	–	–	(13,578)	13,578	–
At 31 December 2008	44,553	565,589	479	8,324	13,818	(231,847)	13,578	414,494

Notes to the Financial Statements

For the year ended 31 December 2008

29. RESERVES (continued)

(c) Nature and purpose of reserves

(i) Share premium

Share premium represents premium arising from the issue of shares at a price in excess of their par value per share and is not distributable but may be applied in paying up unissued shares of the Company to be issued to the shareholders of the Company as fully paid bonus shares or in providing for the premium payable on repurchase of shares.

(ii) Contributed surplus

The contributed surplus of the Company and the Group represents the balance of the amount of credit arising from the Capital Reduction pursuant to a special resolution passed on 10 May 2004 for the reduction of issued and paid-up share capital of the Company from S$0.20 to S$0.05 on each of the 751,987,750 issued and paid-up shares.

(iii) Share options reserve

The fair value of the actual or estimated number of unexercised share options granted to employees of the Group recognised in accordance with the accounting policy adopted for share-based payments in note 3 to the financial statements.

(iv) Capital redemption reserve

Capital redemption reserve arises from the reduction of the nominal value of the issued share capital of the Company upon the cancellation of the repurchased shares.

30. RELATED PARTY TRANSACTIONS

(a) Identity of related parties

The Group has a related party relationship with China Construction Holdings Limited and its subsidiaries (collectively known as “CCH Group”). Certain directors of the Company are also directors of companies in the CCH Group.

(b) Year-end balances with related companies

Except for an amount of RMB4,860,000 (2007: Nil) due from a related company that is interest bearing at 5% per annum, all remaining balances are unsecured, interest free and have no fixed repayment terms.

30. RELATED PARTY TRANSACTIONS (continued)

(c) In addition to those related party transactions and balances disclosed elsewhere in the financial statements, the Group had entered into the following transactions with its related parties during the year:-

	2008 RMB'000	2007 RMB'000
Cash received through a related company/companies	1,540	3,185
Rental income received from a related company	1,055	1,055
Loans repayment from CCH Group	–	500
Rental expenses reimbursed / reimbursable from CCH Group	209	176
Operating expenses reimbursed / reimbursable from CCH Group	68	50
Consultancy service fee paid to a related company	1,500	–
Interest income charged to a related company	102	–
Offset of balance due from CCH Group with due to a related company	679	–

(d) Key management compensation

Details of directors' remuneration are set out in note 10(b) to the financial statements.

31. OPERATING LEASE COMMITMENTS

(a) The Group as lessee

The total future minimum lease payments under non-cancellable operating lease for an administrative office is payable as follows:-

	2008 RMB'000	2007 RMB'000
At 31 December		
Within one year	803	886
In the second to fifth year inclusive	–	886
	803	1,772

Lease is negotiated for a term of 25 months and rental is fixed over the lease terms and do not include contingent rentals.

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For the year ended 31 December 2008

31. OPERATING LEASE COMMITMENTS (continued)

(b) The Group as lessor

Property rental income earned during the year before business tax was approximately RMB1,944,000 (2007: RMB1,557,000). All of the Group's investment properties are held for rental purposes.

The Group's total future minimum lease payments under non-cancellable operating leases are receivable as follows:-

	2008 RMB'000	2007 RMB'000
At 31 December		
Within one year	1,740	1,993
In the second to fifth year inclusive	318	631
	2,058	2,624

Operating lease payments represent rentals receivable by the Group for certain of its investment properties. Leases are negotiated for terms ranging from 1 to 2 years and rentals are fixed over the lease terms and do not include contingent rentals.

32. NOTES TO THE CONSOLIDATED CASH FLOW STATEMENT

(a) Disposal of investment in a jointly controlled entity

On 31 December 2008, the Group entered into a sale and purchase agreement to dispose of its investment in a jointly controlled entity, Tianjin New Beitang Development Limited at a consideration of RMB75,000,000. The gain on disposal of the investment in Tianjin New Beitang Development Limited was recognised in consolidated profit and loss account for the year.

Net assets at the date of disposal were as follows:

	RMB'000
Share of net assets	50,000
Direct costs to the disposal	2,000
Gain on disposal of investment in a jointly controlled entity	23,000
Total consideration satisfied by consideration receivable	75,000

(b) Other non-cash transactions

During the year, a receivable of RMB7,500,000 (2007: Nil) due from a subsidiary disposed of in 2006 to a jointly controlled entity was taken up by the Group. Pursuant to the contractual arrangement entered by the Group, the subsidiary disposed of in 2006 is required to pay RMB7,500,000 (2007: Nil) to the Group while the Group is required to pay an equivalent amount to the jointly controlled entity.

Notes to the Financial Statements

For the year ended 31 December 2008

33. CONTINGENT LIABILITIES

There were contingent liabilities in respect of pledge of rights to receive toll and other income of Haimen and Zuowei bridges to secure a bank loan of a subsidiary disposed of in 2006 with outstanding bank loan balances of approximately RMB474,640,000 (2007: RMB503,703,000) as at 31 December 2008. Details are set out in note 4(c)(iii) to the financial statements.

34. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform to the current year's presentation. The changes included the reclassification of intangible assets from property, plant and equipment upon adoption of IFRIC-Int 12. Certain segment information has also been reclassified and the new classification of the accounting items was considered more appropriate to the financial statements.

35. APPROVAL OF FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board of Directors on 30 March 2009.

Shareholding Statistics

Authorised Share Capital	:	S$1,000,000,000
Issued and Paid Up Capital	:	S$43,505,187.50
Class of Shares	:	Ordinary Shares of S$0.05
Voting Rights	:	One vote per share

Twenty Largest Shareholders

The distribution of the twenty largest shareholders based on share registry information as at 19 March 2009 was as follows:

Shareholders		No. of Shares Held	%
1	Citibank Nominees Singapore Pte Ltd	220,531,256	25.35
2	UOB Kay Hian Pte Ltd	213,290,570	24.51
3	DBS Vickers Securities (S) Pte Ltd	95,653,000	10.99
4	Raffles Nominees Pte Ltd	82,143,080	9.44
5	HSBC (Singapore) Nominees Pte Ltd	20,594,000	2.37
6	Ye Tianyun	15,000,000	1.72
7	OCBC Securities Private Ltd	9,301,000	1.07
8	Chan Sin Mian	5,948,000	0.68
9	Lim Cher Heng	4,747,000	0.55
10	DBS Nominees Pte Ltd	3,232,000	0.37
11	Hee Lee Set	3,000,000	0.34
12	Yao Guo Hua	2,260,000	0.26
13	Heng See Eng	2,222,000	0.26
14	Kim Eng Securities Pte. Ltd.	2,154,000	0.25
15	Tan Brian Roy	2,135,000	0.25
16	Espoir Investments Pte Ltd	2,100,000	0.24
17	Zhang Xiangyan	1,987,000	0.23
18	Ng Jin Nee Brenda	1,950,000	0.22
19	Wong Chun Kit	1,350,000	0.16
20	Tan Kah Soo	1,300,000	0.15
		690,897,906	79.41

Total number of ordinary shares held in treasury	=	0
Voting rights	=	None
Percentage of this holding against total number of issued shares excluding treasury shares	=	0%

Shareholding Statistics

Substantial Shareholders:

As shown in the Register of Substantial Shareholders as at 19 March 2009:

Shareholder	No. of Share Held	%
China Construction Group Inc	220,025,125	25.29
Wellful Holdings Limited	212,556,570	24.43
Century Investment Co., Limited	80,828,055	9.29

Distribution of Shareholders:

Size of Shareholdings	No. of Shareholders	%	No. of Shares Held	%
1-999	0	0.00	0	0.00
1,000-10,000	7,773	76.06	25,943,998	2.98
10,001-1,000,000	2,419	23.67	145,105,869	16.68
1,000,001 and above	27	0.27	699,053,883	80.34
Total	10,219	100.00	870,103,750	100.00

According to the Company's record as at 19 March 2009, there was 40.52% of the Company's shares being held in the hands of the public. Thus, the Company has complied with Rule 723 of the Listing Manual.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of China Infrastructure Holdings Limited ("the Company") will be held at Millenia 2, The Ritz Carlton Millenia Singapore, 7 Raffles Avenue, Singapore 039799 on Thursday, 30 April 2009 at 2.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2008 together with the Auditors' Report thereon. **(Resolution 1**)

2. To declare a first and final dividend of 0.35 Singapore cents per share for the year ended 31 December 2008 (2007:0.35 Singapore cents per share). (**Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Byelaws 104 and 107(B) of the Byelaws of the Company:

Mr Zhu Jun	(Retiring under Byelaw 104)	**(Resolution 3)**
Mr Chee Teck Kwong Patrick	(Retiring under Byelaw 107(B))	**(Resolution 4)**

Mr Chee Teck Kwong Patrick will, upon re-election as a Director of the Company, remain as Chairman of the Nominating and Remuneration Committees and a member of the Audit Committee and will be considered independent.

5. To approve the payment of Directors' fees of RMB1,800,000 for the financial year ending 31 December 2009. (2008: RMB1,800,000). **(Resolution 5)**

6. To re-appoint Messrs RSM Nelson Wheeler as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. **Authority to issue shares in the capital of the Company pursuant to Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited**

   (a) That pursuant to Rule 806 of the Listing Manual, authority be and is hereby given to the Directors of the Company to issue shares, warrants and other convertible securities in the Company of not more than 50% of the total number of issued shares (excluding treasury shares), but subject to item (c) below, of which the aggregate number of shares and convertible securities issued other than on a pro rata basis to existing shareholders must be not more than 20% of the total number of issued shares (excluding treasury shares).

   (b) For the purpose of determining the aggregate number of shares that may be issued under (a) above, the percentage of issued share capital is based on the number of issued shares in the capital of the Company (excluding treasury shares) at the time of the passing of this resolution, after adjusting for:-

      (i) new shares arising from the conversion or exercise of warrants and other convertible securities;

Notice of Annual General Meeting

(ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of the Resolution approving the mandate, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the SGX-ST Listing Manual; and

(iii) any subsequent bonus issue, consolidation or subdivision of shares.

(c) The 50% limit in (a) above may be increased to 100% if the Company undertakes pro-rata renounceable rights issues.

(d) Unless revoked or varied by the Company in a general meeting, this Resolution shall continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of the warrants and other convertibles, made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of the warrants and other convertibles.
(“Share Issue Mandate”)
[See Explanatory Note (i)] **(Resolution 7)**

9. **Authority to issue shares and warrants and other convertibles other than on a pro rata basis at a discount not exceeding 20 per centum (20%)**

That subject to and pursuant to the Share Issue Mandate being obtained in **Resolution 7** above, approval be and is hereby given to the Directors of the Company to issue shares (including shares to be issued in pursuance of the warrants and other convertibles, made or granted pursuant to the Share Issue Mandate) other than on a pro rata basis at an issue price per share as the Directors of the Company may in their absolute discretion deem fit provided that such price shall not represent a discount of more than 20 per centum (20%) to the weighted average price per share determined in accordance with the requirements of the Singapore Exchange Securities Trading Limited and in any event above the par value of the shares.
[See Explanatory Note (ii)] **(Resolution 8)**

10. **Authority to issue shares under the CIHL Share Option Scheme**

That the Directors of the Company be authorised and empowered to offer and grant options under the CIHL Share Option Scheme (“the Scheme”) and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 9)**

By Order of the Board

Ng Mei Wah Mon
Chew Kok Liang
Secretaries
Singapore, 7 April 2009

Notice of Annual General Meeting

Explanatory Notes:

(i) The Ordinary Resolution 7 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant pursuant to such Resolution, up to a number not exceeding, in total, 50% of the issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to existing shareholders of the Company save that such number shall be up to 100% of the issued shares (excluding treasury shares) in the capital of the Company in relation to a pro-rata renounceable rights issue to existing shareholders.

(ii) The Ordinary Resolution 8, if passed, will empower the Directors of Company to allot and issue shares (including shares to be issued in pursuance of the Warrants and other convertibles, made or granted pursuant to the Share Issue Mandate) other than on a pro-rata basis at a discount of not more than 20% to the weighted average price per share determined in accordance with the requirements of the Singapore Exchange Securities Trading Limited and in any event above the par value of the shares.

(iii) The Ordinary Resolution 9 above, if passed, will empower the Directors of the Company, from the date of this Meeting until the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in total (for the entire duration of the Scheme) fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes:

1. If a Shareholder being a Depositor whose name appears in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore) wishes to attend and vote at the Annual General Meeting (the "Meeting"), then he/she/it should complete the Proxy Form and deposit the duly completed Proxy Form at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street #08-01 Samsung Hub Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.

2. If a Depositor wishes to appoint a proxy/proxies, then the Proxy Form must be deposited at the office of the Singapore Share Transfer Agent, Boardroom Corporate & Advisory Services Pte. Ltd. at 3 Church Street #08-01 Samsung Hub Singapore 049483, at least forty-eight (48) hours before the time of the Meeting.