深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00548)

2011 Annual Results Announcement

§1 Important Notice

1.1 The Board, the Supervisory Committee and the Directors, the Supervisors, the senior management of the Company confirm that there are no false representations or misleading statements contained in or material omissions from this announcement, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content thereof.

1.2 Mr. Li Jing Qi, a Director, was unable to attend the third meeting of the sixth session of Board in which the Annual Report 2011 was approved in person due to personal arrangement, and had appointed Mr. Zhao Jun Rong, a Director, to attend and vote on his behalf.

1.3 The financial statements for the year 2011 of the Company were prepared in accordance with CAS, and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Company Limited, for which a standard unqualified audit report was issued.

1.4 Mr. Yang Hai, Chairman, Mr. Wu Ya De, President, Ms. Gong Tao Tao, Financial Controller, and Mr. Sun Bin, General Manager of Finance Department, confirm the truthfulness and completeness of the financial statements contained in the Annual Report 2011.

1.5 Unless otherwise stated, the amounts stated in this announcement are in RMB.

§2 Basic Information of the Company

Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock Code	600548	00548
Listing Exchanges	The Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited

§3 Financial and Operational Highlights

3.1 Principal Financial Data

Unit: RMB

Principal financial data	2011	2010 (Restated)[Note]	Change as compared to last year
Revenue	2,951,619,056.98	2,765,300,387.03	6.74%
Operating profit	1,156,104,434.80	986,372,099.62	17.21%
Total profit	1,156,615,169.97	988,848,868.95	16.97%
Net profit attributable to owners of the Company	875,146,104.56	745,806,530.62	17.34%
Net profit attributable to owners of the Company - excluding non-recurring items	847,416,427.67	723,308,387.36	17.16%
Net cash flows from operating activities	1,508,130,603.41	1,887,289,997.80	-20.09%
	As at 31 Dec 2011	**As at 31 Dec 2010 (Restated) [Note]**	**Change as compared to the end of last year**
Total assets	24,608,792,701.94	23,049,966,818.70	6.76%
Total liabilities	14,111,405,011.76	13,076,043,899.47	7.92%
Owners' equity attributable to owners of the Company	9,204,417,052.53	8,648,826,937.88	6.42%
Total share capital	2,180,770,326.00	2,180,770,326.00	-

Note: As the financial statements of JEL Company have been consolidated into those of the Group since 1 July 2011, which represents the business combinations involving entities under common control, the Group made corresponding restatement to the financial statements for the past years according to the relevant requirements of the accounting standards.

3.2 Principal Financial Indicators

Unit: RMB

Principal financial indicators	2011	2010 (Restated) [Note]	Change as compared to last year
Earnings per share - basic	0.401	0.342	17.34%
Earnings per share - diluted	0.401	0.342	17.34%
Earnings per share - on latest share capital	0.401	0.342	17.34%
Earnings per share excluding non-recurring items - basic	0.389	0.332	17.16%
Return on equity - weighted average (%)	9.84%	8.89%	Increase 0.95 pct.pt
Return on equity excluding non-recurring items - weighted average (%)	9.52%	8.62%	Increase 0.90 pct.pt
Net cash flows from operating activities per share	0.69	0.87	-20.09%
	As at 31 Dec 2011	**As at 31 Dec 2010 (Restated) [Note]**	**Change as compared to the end of last year**
Net assets per share attributable to owners of the Company	4.22	3.97	6.42%
Debt-to-asset ratio (%)	57.34%	56.73%	Increase 0.61 pct.pt

Note: As the financial statements of JEL Company have been consolidated into those of the Group since 1 July 2011, which represents the business combinations involving entities under common control, the Group made corresponding restatement to the financial statements for the past years according to the relevant requirements of the accounting standards.

3.3 The consolidated financial statements and notes for the year ended 31 December 2011 of the Group are set out in the appendix to this results announcement.

§4 Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.16(tax included) per share in cash to all shareholders (2010: RMB0.16 per share), based on the total share capital of 2,180,770,326 as at the end of 2011 and totaling RMB348,923,252.16, for the year 2011. The aforesaid proposal shall be subject to approval by shareholders at the 2011 annual general meeting of the Company. The date of annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately.

§5 Report of the Directors

5.1 Business Review

The Group's revenues and profits mainly devive from toll highway operations and investments. During the Reporting Period, the Group adopted proactive management and marketing strategies and implemented rational traffic organisation plans for the continuous improvement of our operational performance. Moreover, the Group has also steadily developed the entrusted construction management business, explored and attempted to enter into new types of business, to further drive the earning growth and achieve sustainable development.

I. Toll Highway Business

1. Overall Operational Performance

Basic operating statistics of each toll highway during the Reporting Period are as follows:

Toll highway	Percentage of interests held by the Group	Percentage of revenues consolidated	Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
			2011	2010	Change	2011	2010	Change
Shenzhen region:								
Meiguan Expressway	100%	100%	**119**	117	1.5%	**943**	951	-0.9%
Jihe West	100%	100%	**99**	91	9.1%	**1,230**	1,169	5.2%
Jihe East	100%	100%	**118**	112	6.0%	**1,407**	1,415	-0.5%
Yanpai Expressway	100%	100%	**38**	40	-3.1%	**464**	429	8.2%
Yanba Expressway	100%	100%	**28**	24	13.6%	**369**	335	10.1%
Nanguang Expressway	100%	100%	**56**	51	10.6%	**589**	524	12.5%
Shuiguan Expressway	40%	-	**125**	135	-7.3%	**1,122**	1,230	-8.8%
Shuiguan Extension	40%	-	**32**	40	-21.1%	**197**	251	-21.5%
Other regions in Guangdong Province:								
Qinglian Expressway (Note)	76.37%	100%	**21**	18	17.2%	**1,280**	1,037	23.5%
Yangmao Expressway	25%	-	**23**	20	17.0%	**1,209**	1,095	10.5%
Guangwu Project	30%	-	**23**	17	32.1%	**644**	472	36.5%
Jiangzhong Project	25%	-	**90**	68	31.8%	**972**	870	11.7%
GZ W2 Expressway	25%	-	**33**	29	16.4%	**740**	672	10.1%

Toll highway	Percentage of interests held by the Group	Percentage of revenues consolidated	Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
			2011	2010	Change	2011	2010	Change
Other provinces in the PRC:								
Wuhuang Expressway	55%	100%	**38**	38	-0.5%	**1,146**	1,268	-9.6%
Changsha Ring Road	51%	-	**10**	8.6	11.2%	**86**	73	18.6%
Nanjing Third Bridge	25%	-	**23**	22	5.6%	**829**	783	5.8%

Note: Liannan Section of Qinglian Project, upon the completion of reconstruction into an expressway, has commenced expressway operation since 25 January 2011, and the total toll mileage of Qinglian Expressway has increased from approximately 188 km to approximately 216 km.

In 2011, the factors affecting the operational performance of the toll highways of the Group mainly include:

Economic environment - Social transportation demand and economic situation are strongly correlated. In 2011, domestic auto sales still maintained a good momentum, and the car ownership in Shenzhen region approached to 2 million as at the end of 2011. Given the complicated and volatile economic environment during this year, the world's major economies affected by the debt crisis were recovering very slowly; and the domestic economy was overall still smooth with the growth decreased, there was also a substantial decline in the growth of domestic import and export volume. On this backdrop, the natural growth for toll highway projects generally slowed down.

Status of highways - The progress of the construction and maintenance works of toll highway projects affected their respective operational performance to a certain extent for current operating period. During the Reporting Period, as there were expansion or repair works carried out on Shuiguan Expressway and Meiguan Expressway, such construction works affected the traffic flow on the sections of such expressways and connecting highways, and also the operational performance of these projects, although the Group has taken various mitigation measures.

Road networks - The operational performances of toll highways will also be positively or negatively affected by competitive or synergistic changes in neighboring road networks, maintenance and repair works on connecting or parallel roads, or the implementation of urban traffic organisation plans. The opening and operation of metro, intercity railways and high-speed railways have diverted traffic from the highways and affected those toll highways with similar routes. The specific situation varied in different highways. For details, please refer to "Analysis by Projects" below.

Operation and management - As there are more and more alternative ways to travel, road users has raised their expectation on road traffic efficiency and service quality. In order to improve the operational performance of the projects, the Group has, by collection of sufficient data and carrying out researches, formulated and implemented proactive marketing campaigns to promote the advantages and features of various highway projects. In addition, the Group also made great efforts to enhance the standardisation and information level of the operation and management, and improved the peak-hour traffic divergence and emergency response capability to provide road users with faster and more comfortable services and improve highway traffic efficiency and competitiveness.

Policy environment - Since 1 December 2010, “Green Passage Toll Free Policy” has been adopted to all highway projects of the Group. Owing to the implementation of this policy, the revenues and profits of the Group for the Reporting Period decreased by approximately RMB51,957,000 and RMB 38,426,000 respectively (2010: RMB 45,359,000 and RMB 31,825,000). In addition, the toll-by-weight policy was further implemented in western and eastern Guangdong in September and October 2011, and the involved highway projects include the Group’s participating Yangmao Expressway and Guangwu Project and wholly-owned Yanba Expressway. The implementation of this policy has positive effect on the toll revenues of Yangmao Expressway and Guangwu Project, and has slight effect on the operational performance of Yanba Expressway.

2. Analysis by Projects

The extent of impact on highway projects from economic environment and road network changes, and the performance of the highway projects during the Reporting Period varied in accordance with their different function and location, years of operation and neighboring road networks. Further description on some of the regions and projects is as follows:

Shenzhen region:

With the completion of these projects such as the construction of municipal roads, and the reconstruction or construction of interchanges in succession, and the opening and operation of phase II of metro, the transportation network in Shenzhen region is gradually improving. In addition, the Shenzhen government waived the tolls on some of local roads in Shenzhen, resulting in the changes in traffic distribution and composition in road network in this region, which affected positively or negatively our operation and the operational performance of our invested projects in Shenzhen. For example, reconstruction of Shenhui Road (Note: municipal road) in previous years had positive effect on its adjacent Jihe Expressway, Yanpai Expressway, Yanba Expressway, Shuiguan Expressway and Shuiguan Extension during its reconstruction in previous years. However, some highway users choose to use local roads after Shenhui Road fully opened to traffic again in early 2011, which caused negative effect to the traffic flow of relevant expressways. Likewise, the reconstruction of Songbai Road (Note: municipal road) had similar effect on Nanguang Expressway. The opening to traffic of Danping Express Phase I(Note: municipal road) in June 2011 diverted some traffic flow from Shuiguan Expressway and Shuiguan Extension, but benefited the operational performance of Yanpai Expressway. The opening of Shuihe interchange linking Shuiguan Expressway and Jihe Expressway in mid July also changed the traffic flow distribution in the road network, and diverted small portion of traffic flow from Meiguan Expressway and Jihe Expressway, and brought positive effect on Shuiguan Expressway. During the third quarter of 2011 when Universiade 2011 was held in Shenzhen, the municipal government implemented temporary traffic control and diversion measures to reduce the overall traffic demand and travel volume, resulting in various degree of decline of traffic flow on most of our projects in Shenzhen during that period.

Other regions:

Qinglian Expressway - The expressway operation of Liannan Section of Qinglian Project improved the traffic conditions of the project itself and increased the toll mileage of Qinglian Expressway, having positive effect on the operational performance of this project. In addition, Yifeng Expressway (Fengtouling, Guangdong - Yizhang, Hunan, and also known as Yilian Expressway) which connects the north end of Qinglian Expressway, opened to traffic on 25 September 2011, and improved the connection of Qinglian Expressway with the surrounding road networks, which would enhance the importance of Qinglian Expressway as the main trunk road linking Guangdong and Hunan and improving its operational performance. In addition, maintenance and repair works were undergone on a number of bridges on Qingyuan - Guangzhou Expressway, and heavy lorries were prohibited from access. As large lorry drivers were unable to take a fast and convenient route going to or from Qingyuan and Guangzhou, they became less willing to travel between Hunan and Guangdong via Qingyuan - Guangzhou Expressway, which would affect the operational performance of Qinglian Expressway to some extent in the short run.

Guangwu Project - The second phase of Guangwu Expressway (Hekou to Pingtai section) commenced operation at the end of June 2010, and the entire expressway from Guangzhou to Wuzhou, Guangxi has been opened and the traffic between the provinces in the southwestern region, Guangdong, Hong Kong and Macau become more convenient. The synergy effects among road networks significantly enhance the operational performance of Guangwu Project.

Wuhuang Expressway - Affected by a combination of factors including the change on surrounding road network such as the opening to traffic of Mawu Expressway, and traffic control measures implemented in Wuhan, the average daily toll revenues of Wuhuang Expressway recorded a YOY drop in 2011. In January 2011, Mawu Expressway and National Highway Hurong Line (Shanghai - Chengdu) were opened to traffic, diverting some traffic flow from Wuhuang Expressway which belonged to National Highway Huyu Line (Shanghai - Chongqing). Also, Wuhan municipal government implemented traffic control measures to limit freight traffic on some roads, and reinforcement works were carried out on two bridges on Wuhuang Expressway during the year, with traffic control imposed on some sections of the expressway during the construction period, causing negative impact on the operational performance of Wuhuang Expressway for the Reporting Period.

3. Business Development

In 2011, the Company actively moved forward projects under construction, and conducted the preliminary works of the new projects in a practical manner, which laid a solid foundation for the Group's future operational performance.

Qinglian Expressway - The reconstruction of Liannan Section of Qinglian Project into an expressway was completed in the early 2011, and achieved its management objectives in quality, safety, cost and schedules. The whole 216 km long Qinglian Expressway has been fully opened, which improves the traffic conditions and capacity of the project, facilitating a better operational performance of the project during the Reporting Period, and laying a solid foundation for the improvement of results after further enhancement in the road networks. Moreover, since Qinglian Class 2 Road bore most of the traffic flow during the period of reconstruction into an expressway of Qinglian Project, the road surfaces were badly worn out. In order to recover its traffic capacity and ensure traffic safety, the Group has temporarily closed Qinglian Class 2 Road and suspended its toll collection since late September 2010 for maintenance and repair works.

The shareholders of Qinglian Company have agreed to make additional capital contribution of RMB1.9 billion in proportion to their shareholdings. As at the end of the Reporting Period, an aggregate additional capital contribution of RMB1.62 billion was completed. The additional capital contribution not only further improves the capital strength of Qinglian Company, but also optimises the overall borrowing structure and lowers the finance costs of the Group.

Meiguan Expressway - As at the end of the Reporting Period, the earth fill of base course, culvert and channel works of the reconstruction and expansion works of North Section of Meiguan Expressway have substantially been completed, and approximately 90% of excavation of base course, approximately 98% of pile foundation works of the bridges, approximately 82% of slope greening around bridge pier areas and some formed base course have been completed. The project is scheduled to be completed in the first half of 2013. The road surface maintenance and traffic improvement works of South Section of Meiguan Expressway were carried out in mid-2011 and completed in early August 2011. These works will enhance the traffic capacity, and improve the traffic efficiency of the project.

Shuiguan Expressway - Qinglong Company is in charge of the expansion of Shuiguan Expressway which was successfully completed in late June 2011. The expanded Shuiguan Expressway has been in full operation, which effectively enhanced the traffic capacity and service of the project. The shareholders of Qinglong Company agreed to make additional capital contribution of RMB330 million in proportion to their shareholdings for the project expansion. As at the end of the Reporting Period, Qinglong Company has completed an aggregate additional capital contribution of RMB224 million.

Others - During the Reporting Period, the installation of road lighting and monitoring facilities were carried out on Nanguang Expressway, Jihe Expressway, Yanba A, Shuiguan Expressway and Shuiguan Extension, further improving the traffic safety and comfortability of the expressways of the Group in Shenzhen.

Moreover, the Company is moving forward the preliminary study and relevant negotiations of the Outer Ring Expressway by steps, and will make investment decision upon full consideration of the capability of the financial resources of the Company. As at the end of the Reporting Period, such issues of the project as toll proposal and environmental impact assessment have been approved, and the project feasibility report is being amended.

II. Entrusted Management and Other Businesses

Relying on the core business of toll highway and building on relevant management experience and resources, the Company has launched the exporting business of entrusted construction and operation management service, as well as advertising business along the routes of its expressways. The Company is also engaged in businesses related to construction consulting and inter-network toll collection in order to benefit and complement its core business for further development of the Group.

1. Entrusted Management Business

Entrusted construction management business, also known as agent construction business, involves the government or investors, as the owner of highway projects, entrusting companies or enterprises with the relevant construction management capability to coordinate the management of its invested project during the construction process. The entrusted companies, through the provision of management experience and relevant human resources, assist the owner to effectively control the quality, schedule and costs of the construction works, and receive reasonable income and returns. With reference to the entrusted projects of the Group during the past few years, entrusted construction management business generally adopts the income calculation mode of "management fees based on a certain proportion of the budget of the project + sharing of the savings of the budget of the project". The entrusted parties are liable to unsatisfactory quality, delay of construction schedules and over-budgets arising from the breaching of contracts. The sharing scheme is generally determined by the extent of liability borne by the entrusted parties. The Company has been engaged in entrusted construction management business since 2001 and has successfully completed five management projects as at the end of the Reporting Period, which received positive comments from the owner and the market.

During the Reporting Period, the Company's entrusted construction management business progressed smoothly with the construction progress and construction costs of each project under construction were basically in line with expection. The construction of Longhua Extension was completed at the end of April 2011. Part of the contracted sections of Section A of Nanping (Phase II) has been finished and under completion acceptance. While the progress of individual contracted sections were affected by the delay in demolition and relocation, and the construction of such sections is expected to be completed in mid 2012. Most of the construction works of Section B of Nanping (Phase II) are temporarily not ready to commence construction as affected by planning adjustment by the government. However, pursuant to the agreement, such delay would not incur performance obligations of the Company under the entrusted construction agreement. In 2011, the Company also signed an entrusted construction agreement for Longda Municipal Section and Coastal Project with the budget of Longda Municipal Section amounting to approximately RMB160 million. It is expected that there will not have material impact on the operational management and financial performance of the Company. As at the end of the Reporting Period, 95% of bridge foundation and substructure works and 70% of bridge superstructure works for Coastal Project have been completed, and the project is scheduled to be completed in the second half of 2013. For details regarding the revenues and profit of the Company's entrusted construction management business for the Reporting Period, please refer to "Financial Analysis" below.

In addition, the Company has also undertaken the entrustment of operation management of Longda Project by way of equity management. For details of the profit thereof, please refer to "Financial Analysis" below.

Through the aforesaid entrusted management business, the Company is able to timely seize market opportunities to generate reasonable income and returns by fully leveraging on its over ten years' professional experience and strengths in the industry and the provision of management experience.

2. Expansion of Construction Management Business

During the strategic period from 2010 to 2014, the Company's development model has been positioned as organic growth with balance on scale and efficiency and focus on the increase of the Company's overall return on assets, and the Company will actively study and explore those industries and businesses related to toll highway industry and the Company's core business capabilities, and seek new opportunities for the Group's long-term development.

In order to establish the management mechanism for the development of new industries, define the responsibilities of the management, and enhance the work efficiency and response capability to market changes, the Group has established Investment Company during the Reporting Period, which will be engaged in research, investment and management of new industries.

In August 2011, the Company entered into an agreement to carry out Guilong Project to participate in the construction of Phase I of Guilong Road in Guizhou Province by "build - transfer" mode, and participated in primary land development in surrounding designated area of approximately 3,000 mu. To further reduce overall capital requirement, diversify investment risks, and make full leverage on other parties' expertise in project construction management, the Company and Investment Company entered into an agreement with CCCC Second Highway Engineering Bureau Co., Ltd. and its subsidiary CCCC-SHB Fifth Engineering Co., Ltd to set up Guishen Company in October 2011. The Company holds 70% of the interests in Guishen Company through Investment Company. According to relevant arrangement, Guishen Company had taken the place of the Company by all the rights and obligations under Guilong Project. For details, please refer to the Company's announcements dated 12 August 2011 and 27 October 2011. Guilong Project is an exploration and implementation of the Company's new business expansion plan, which will help the Company to make scientific decisions regarding future strategic direction through an in-depth study of operation models of similar businesses.

5.2 Financial Analysis

In 2011, the Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB875,146,000 (2010: RMB745,807,000), representing a YOY increase of 17.34%. Excluding the impact of provisions for maintenance/resurfacing obligations, Net Profit of the Group for the Reporting Period amounted to RMB719,763,000, representing a YOY decrease of 19.85%. During the Reporting Period, due to the factors such as slowdown in the growth of macro-economy and changes in the traffic distribution in the road network, toll revenue derived from most of the toll highways operated and invested by the Group recorded a slower YOY growth, and cost of services increased due to the implementation of business plans and the inflationary effect, which lowered the YOY operating results of the Group excluding the impact of provisions for maintenance/resurfacing obligations for the Reporting Period.

The Group has made adjustments to provisions for maintenance/resurfacing obligations of major highways based on the review results of the plan and the implementation measures for maintenance/resurfacing obligations of highways since 1 July 2011, which brought certain positive effect on the operating results of the Group for the Reporting Period. For details, please refer to the content of 6.1 below.

During the Reporting Period, JEL Company has been consolidated into the scope of the financial statements of the Company as the business combination involving enterprises under common control. The Group has restated the financial statements for the previous accounting period according to the relevant requirements of the Accounting Standards for Enterprises. As JEL Company has been consolidated into the scope of the financial statements of the Company, the consolidated assets, liabilities, revenue and costs of the Company for the Reporting Period and previous accounting period increased accordingly in scale, while the interests and net profit attributable to the shareholders of the Company were not affected. For details, please refer to the content of 6.3 below.

I. Analysis of Operating Results

1. Revenue

During the Reporting Period, the Group recorded revenue of RMB2,951,619,000, representing a YOY growth of 6.74%, of which toll revenue is the main source of revenue of the Group, which recorded a YOY increase of 3.83% to RMB2,715,562,000. A detailed analysis on revenue is as follows:

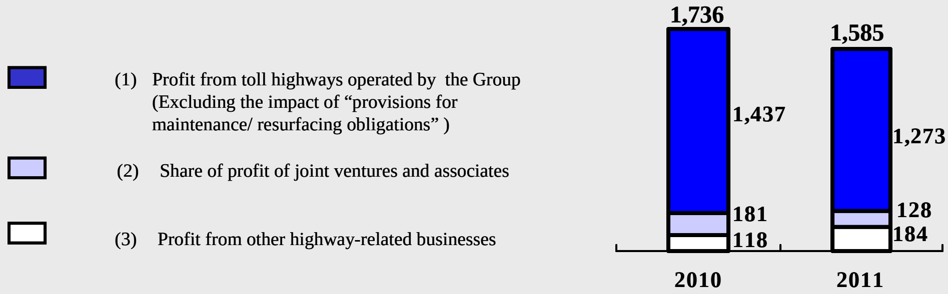
Operating revenue item	**2011 (RMB'000)**	**Percentage of total**	**2010 (RMB'000) (restated)**	**Percentage of total**	**Change**
Toll revenue	2,715,562	92.00%	2,615,465	94.58%	3.83%
Management services income (Note)	149,371	5.06%	90,935	3.29%	64.26%
Other income (including income from advertising service)	86,686	2.94%	58,900	2.13%	47.17%
Total	2,951,619	100.00%	2,765,300	100.00%	6.74%

Note: Management services income included income from entrusted construction management services of RMB127,357,000 and income from entrusted operation management services of RMB22,014,000.

2. Profit before Interests, Tax and General and Management Expenses

During the Reporting Period, the Group's profit before interests, tax and general and management expenses amounted to RMB1,842,703,000 (2010 (restated): RMB1,579,222,000), representing a YOY increase of 16.68%. Excluding the impact of provisions for maintenance/resurfacing obligations, profit before interests, tax and general and management expenses of the Group during the Report Period amounted to RMB1,584,607,000, representing a YOY decrease of 8.70%. Profit contributed by principal business is as follows:

Profit before Interests, Tax and General and Management Expenses (Unit: RMB million)



(1) Profit from toll highways operated by the Group

◆ Profit

Profit from toll highways operated by the Group for the Reporting Period amounted to RMB1,530,973,000 (2010 (restated): RMB1,280,815,000), representing a YOY growth of 19.53%. Excluding the impact of provisions for maintenance/resurfacing obligations, the profit amounted to RMB1,272,877,000, representing a YOY decrease of 11.44%, which was principally resulting from the decrease of profit before interest and tax from Meiguan Expressway, Wuhuang Expressway and Qinglian Project.

Toll Highway	Percentage of interests held	Toll revenue		Cost of services (Note)		Gross margin of toll highway		Profit before interests, tax and general and management expenses (Note)	
		2011 (RMB'000)	Change	2011 (RMB'000)	Change	2011	Change (pct.pt)	2011 (RMB'000)	Change (RMB'000)
Meiguan Expressway	100%	344,277	-0.86%	217,454	139.77%	36.84%	-37.04	115,774	-128,372
Jihe East	100%	513,638	-0.53%	232,670	6.83%	54.70%	-3.12	264,631	-19,019
Jihe West	100%	448,914	5.19%	94,068	8.45%	79.05%	-0.63	343,214	14,183
Yanba Expressway	100%	134,795	10.12%	90,651	16.33%	32.75%	-3.59	39,952	-81
Yanpai Expressway	100%	169,299	8.21%	72,576	11.67%	57.13%	-1.33	91,283	4,247
Nanguang Expressway	100%	214,981	12.50%	99,727	16.61%	53.61%	-1.63	108,135	8,368
Qinglian Project	76.37%	471,288	20.16%	346,191	32.63%	26.54%	-6.91	109,986	-10,059
Wuhuang Expressway	55%	418,371	-9.62%	204,852	-4.80%	51.04%	-2.48	199,902	-33,619
Total		2,715,562	3.83%	1,358,189	23.49%	49.98%	-7.96	1,272,877	-164,352

Note: Cost of services and profit before interests, tax and general and management expenses for the Reporting Period excluded provisions for maintenance/resurfacing obligations of Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway. For details on provisions for maintenance/resurfacing obligations, please refer to "Cost of services" and "Provisions for Maintenance/resurfacing Obligations" below.

◆ Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB2,715,562,000, representing a YOY increase of 3.83%. Among this, Liannan Section of Qinglian Project commenced operation on 25 January 2011 and Qinglian Project achieved full operation as an expressway, at the same time, benefited from the synergy effects in road network brought by the commencement of operation of Yifeng Expressway in late September 2011, Qinglian Project recorded a YOY increase of 20.16% in toll revenue during the Reporting Period. Due to the factors such as slowdown in the growth of macro-economy and changes in the traffic distribution in the road network, the YOY growth in toll revenues from other toll highways slowed down and toll revenues from certain projects recorded a decrease to a certain extent. For operational performance of toll highway projects during the Reporting Period, please refer to the content of Business Review in this announcement.

◆ Cost of services

Cost of services for the Group's toll highways recorded a YOY decrease of 12.43% to RMB1,100,093,000 (2010 (restated): RMB1,256,280,000) for the Reporting Period. Excluding the impact of provisions for maintenance/resurfacing obligations, it amounted to RMB1,358,189,000, representing a YOY growth of 23.49%, which was mainly due to the increase in road maintenance expenses and employee expenses. During the Reporting Period, repair works were carried out on such highways as the South Section of Meiguan Expressway in Shenzhen region, resulting in an increase on the cost of services for the Reporting Period by approximately RMB132 million. In addition, Qinglian Class 2 Road is performing an overall repair and the daily maintenance expenses was increased upon the expiry of the liability period of defects of Qinglian Expressway, resulting in the Group's road maintenance expenses recorded a significant YOY increase. In addition, as the Company had made provision for the housing allowances for employees as required by Shenzhen Municipal Government, and there were an increase in the number of employees and an increase in remuneration of toll collection staff, the employee expenses recorded a YOY increase.

A detailed analysis on cost of services is as follows:

Cost of services item	**2011 (RMB'000)**	**Percentage of total**	**2010 (RMB'000) (restated)**	**Percentage of total**	**Change**
Employee expenses	159,797	11.77%	120,726	10.98%	32.36%
Road maintenance expenses	311,134	22.91%	149,361	13.57%	108.31%
Depreciation and amortisation	687,244	50.60%	638,425	58.05%	7.65%
Other business costs	200,014	14.72%	191,351	17.40%	4.53%
Sub-total	1,358,189	100.00%	1,099,863	100.00%	23.49%
Provisions for maintenance/resurfacing obligations	(258,096)	-	156,416	-	N/A
Total	1,100,093	-	1,256,280	-	-12.43%

(2) The investment income from joint ventures and associates

The Group's investment income from joint ventures and associates for the Reporting Period amounted to RMB127,702,000 (2010 (restated): RMB181,406,000), representing a YOY decrease of 29.60%, which was mainly resulted from the decrease in profit from Shuiguan Expressway and Shuiguan Extension for the Reporting Period. During the Reporting Period, Shuiguan Expressway and Shuiguan Extension recorded a YOY decrease in toll revenue as affected by the diverted traffic volume to municipal roads and the impact of metro which commenced operation. Upon completion of the expansion of Shuiguan Expressway, the operating cost went up resulting from the corresponding increase in its amortisation per unit and expensed borrowing interests related to the expansion works. The factors mentioned above caused the decrease of profit attributable to the Group from Shuiguan Expressway and Shuiguan Extension for the Reporting Period.

A detailed analysis on investment income from joint ventures and associates is as follows:

Toll highway	**Percentage of interests held**	**Toll revenue**		**Cost of services of toll highway**		**Gross margin of toll highway**		**Investment income of the Group** (Note)	
		2011 (RMB'000)	**Change**	**2011 (RMB'000)**	**Change**	**2011**	**Change (pct.pt)**	**2011 (RMB'000)**	**Change (RMB'000)**
Joint Ventures:									
Changsha Ring Road	51%	31,468	18.46%	44,072	50.81%	-40.05%	-30.04	-2,238	-4,795
Associates:									
Shuiguan Expressway	40%	409,530	-8.77%	127,785	29.10%	68.80%	-9.15	63,517	-31,656
Shuiguan Extension	40%	71,798	-21.50%	49,515	22.25%	31.04%	-24.67	-1,282	-8,984
Yangmao Expressway	25%	440,698	10.28%	194,144	-6.13%	55.95%	7.70	34,511	14,642
Guangwu Project	30%	235,190	36.57%	109,205	35.48%	53.57%	0.38	16,771	7,040
Jiangzhong Project	25%	355,037	11.78%	227,893	20.38%	35.81%	-4.58	3,665	-8,471
GZ W2 Expressway	25%	269,137	9.72%	119,944	9.16%	55.43%	0.24	6,528	-14,983
Nanjing Third Bridge	25%	302,378	6.12%	136,261	7.59%	54.94%	-0.61	3,408	-7,107
Total		2,115,236	6.47%	1,008,819	14.38%	52.31%	-3.29	(Note) 124,880	-54,314

Note: Investment income from Consulting Company of RMB2,822,000 (2010: RMB2,212,000) was not included in the figure of investment income of the Group for the Reporting Period.

(3) Profit from other highway-related businesses

◆ Profit from entrusted construction management services

During the Reporting Period, the Company recognised profit from the entrusted construction management services of RMB1,829,000 and RMB14,115,000 respectively based on the audit results for the budget for the completed Shenyun Project and the Wutong Mountain Project. It also recognised profit from the entrusted construction management services of RMB68,975,000 based on the percentage of completion for the Coastal Project. During the Reporting Period, the government's audit work on the total construction costs for Nanping (Phase I) was completed. It is expected that the profit from the entrusted construction management services recognised in the previous period will be recovered, thus the Company's original estimation for this project still maintained. The related service results of Nanping (Phase II), Longhua Extension, Longda Municipal Section and Guilong Project could not be predicted reliably, while the Directors are of the view that future reimbursements of management expenses incurred are probable, therefore the Company recognised revenue and costs for the Reporting Period based on actual management expenses and tax of RMB12,336,000 incurred.

◆ Profit from entrusted operation management services

During the Reporting Period, pursuant to the terms of the agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB22,014,000 and a relevant profit of RMB20,790,000 after deducting relevant tax.

3. General and Management Expenses

The Group's general and management expenses for the Reporting Period amounted to RMB87,752,000 (2010 (restated): RMB62,328,000), representing a YOY increase of 40.79%. Such increase was mainly attributable to the provision for the housing allowances for employees as required by Shenzhen Municipal Government and the increase of development expenses of businesses.

4. Financial Expenses

The Group's financial expenses for the Reporting Period amounted to RMB547,659,000 (2010 (restated): RMB489,361,000). During the Reporting Period, as a result of the increase in the capital cost of the Group and increase in borrowings which were affected by the state's macro-economic control and the surge in market interest rate, interest expenses rose by 9.15% over a year earlier. In addition, Qinglian Company recorded an increase in its expensed interests upon the completion and commencement of operation of Liannan Section of Qinglian Project. The aforementioned factors brought about a YOY increase in financial expenses of the Group for the Reporting Period. A detailed analysis on financial costs is as follows:

Financial expenses item	**2011 (RMB'000)**	**2010 (RMB'000) (restated)**	**Change**
Interest expenses	550,380	504,253	9.15%
Less: Interest capitalised	(2,962)	(22,704)	-86.95%
Interest income	(16,349)	(14,772)	10.67%
Exchange gain/loss and others	(34,328)	(23,912)	43.56%
Financial expenses excluding time value of provisions for maintenance/resurfacing obligations	496,741	442,865	12.16%
Add: Time value of provisions for maintenance/resurfacing obligations	50,918	46,496	9.51%
Financial expenses	547,659	489,361	11.91%

5. Income Tax Expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB237,077,000 (2010 (restated): RMB183,120,000), representing a YOY increase of 29.47%. Excluding the impact of provisions for maintenance/resurfacing obligations, income tax expenses recorded a YOY decrease of 20.77% for the Reporting Period. Such decrease mainly resulted from the provision of deferred income tax assets on its deductible loss by Qinglian Company during the Reporting Period based on the taxable income which might be used for deduction of deductible loss in the future.

6. Provisions for Maintenance/Resurfacing Obligations

The impact of the Group's making and adjusting provisions for maintenance/resurfacing obligations on the main items of the consolidated income statement for 2011 and 2010 is set out below:

Item	Impact of provisions for maintenance/resurfacing obligations (RMB'000)	
	2011	2010
Cost of services	**(258,096)**	**156,416**
Of which: Jihe West	(160,773)	65,141
Yanpai Expressway	(16,411)	31,569
Yanba Expressway	(77,089)	37,711
Nanguang Expressway	(3,823)	21,995
Profit before interests, tax and general and management expenses	**258,096**	**(156,416)**
Financial expenses	**50,918**	**46,496**
Income tax expenses	**51,795**	**(50,728)**
Net profit	**155,383**	**(152,184)**

Such amounts included the adjustment of provisions for maintenance/resurfacing obligations related to changes in accounting estimates during the Reporting Period.

7. Amortisation Policies of Concession Intangible Assets and Differences under Different Amortisation Methods

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

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortisation amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During the Reporting Period, the amortisation difference under the two methods of amortisation attributable to the Company based on its equity interests was RMB272,000,000, of which amortisation difference of RMB181,000,000 was attributable to Qinglian Expressway, which commenced full operation as expressway on 25 January 2011 and was still in the early stage of its operation and its relevant road network had not yet been fully opened. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

II. Analysis of Financial Position

1. Assets, Equity and Liabilities

The Group's financial position remains solid, with its assets comprising mainly cash, concession intangible assets as well as investments in joint ventures and associates in high-grade toll highways. As at 31 December 2011, the Group's total assets amounted to RMB24,608,793,000 (31 December 2010 (restated): RMB23,049,967,000), representing an increase of 6.76% over the end of 2010, of which concession intangible assets as well as investments in joint ventures and associates in toll highways and other equity in aggregate accounted for 83.62% of the total assets.

As at 31 December 2011, the Group's total equity amounted to RMB10,497,388,000 (31 December 2010 (restated): RMB9,973,923,000), representing an increase of 5.25% over the end of 2010. This was mainly attributable to the increased net profit for the Reporting Period, capital contribution from minority shareholders and the deduction of dividend distributed for 2010.

As at 31 December 2011, outstanding bills payable, bonds payable and bank borrowings of the Group amounted to RMB10,879,433,000 (31 December 2010 (restated): RMB9,475,223,000), representing an increase of 14.82% over the end of 2010, of which Qinglian Project had used borrowings of RMB5.508 billion.

2. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. The debt-to-asset ratio of the Group basically remained unchanged, while its net borrowings-to-equity ratio decreased as compared to that at the end of 2010. Given the Group's stable and robust operating cash flows, and expected growth in cash flow after the commencement of operation of new projects, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

	31 December 2011	**31 December 2010 (restated)**
Debt-to-asset ratio (Total liabilities / Total assets)	57.34%	56.73%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	82.99%	89.21%
	Jan-Dec 2011	**Jan-Dec 2010 (restated)**
Interest covered multiple (Profit before interests and tax / interest expenses)	2.92	2.75
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	4.10	3.94

3. Liquidity and Cash Management

During the Reporting Period, the PRC government further tightened the macro-economic control by raising the deposit reserve rate for several times to control the grant of loans by commercial banks, and thus it will be more difficult to obtain external financing. The Company optimised its debt structure, appropriately increased its cash on hand and maintained sufficient banking facilities so as to prevent the liquidity risk. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amount applied to securities investments.

	31 December 2011 (RMB million)	**31 December 2010 (RMB million) (restated)**	**Change**
Net current assets / (net current liabilities)	155	(1,387)	N/A
Cash and cash equivalents	2,168	577	275.53%
Banking facilities available	6,008	5,777	4.00%

4. Foreign-currency Denominated Assets and Liabilities

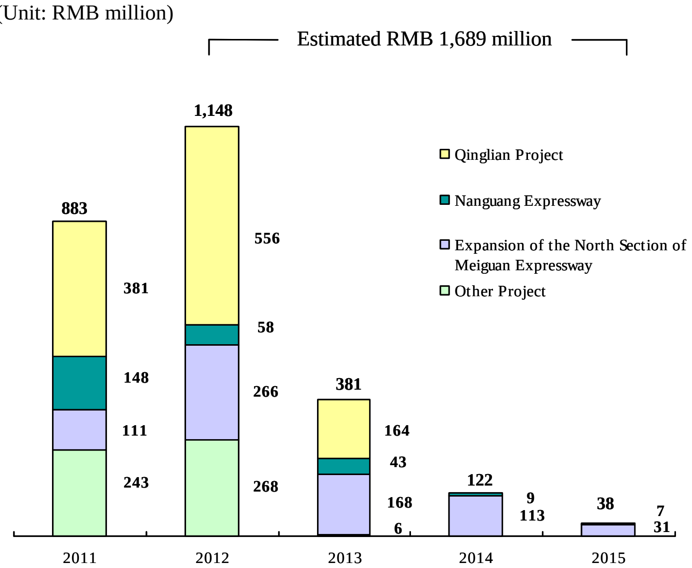
All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB798,540,000 worth of foreign currency-denominated monetary liabilities in HK$, while RMB32,898,000 and RMB96,000 worth of foreign currency-denominated monetary assets were in HK$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. Despite the positive impact of the current upward trend of RMB exchange rate on the Group, the Company has arranged relevant financial instruments to lock up the exchange rate of foreign currency-denominated liabilities to minimise the risk of exchange rate in the future. The Company has arranged "Non-Deliverable Cross Currency Swap" for a loan of HK$420 million with a maturity period of five years to lock up its interest rate and exchange rate. As at the end of the Reporting Period, the outstanding principal of such five-year loan was HK$378 million. It also arranged "Non-Deliverable Forward" for a loan of HK$227 million with a maturity period of three years to lock up the exchange rate.

III. Capital and Financing

1. Capital Expenditure

During the Reporting Period, the Group's capital expenditures comprised mainly the reconstruction of Qinglian Class 1 Highway into an expressway, the reconstruction and expansion of Meiguan Expressway and the remaining construction and investments of Nanguang Expressway, totalling approximately RMB883 million. As at 31 December 2011, the Group's capital expenditure plan comprised mainly construction and investments in the reconstruction of Qinglian Class 1 Highway into an expressway, remaining construction, investments and settlements of projects such as Nanguang Expressway and the reconstruction and expansion of Meiguan Expressway. It is expected that the Group's total capital expenditures will amount to approximately RMB1.689 billion by the end of 2015. The Group plans to satisfy such capital needs with its own capital reserves and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan (Unit: RMB million)



2. Operating Cash Flow

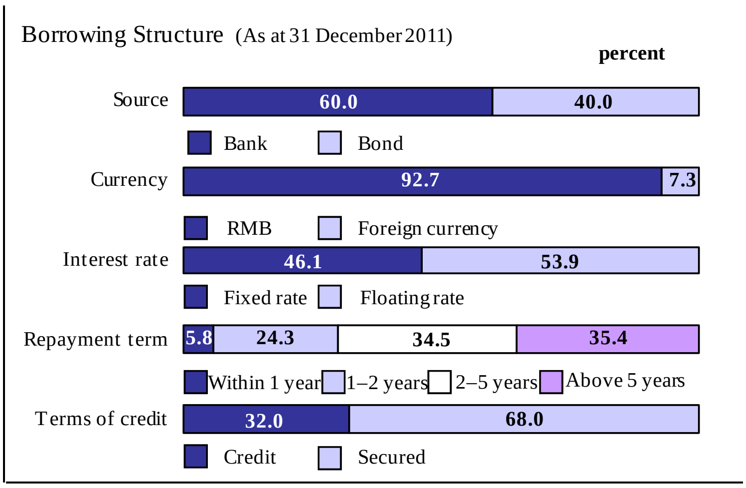
The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash inflow from operating activities and cash return on investments totaled RMB1,632,720,000 (2010 (restated): RMB2,041,202,000), representing a YOY decrease of 20.01%. Such decrease mainly resulted from the slowdown or decrease in growth of toll revenue generated from the major toll highways operated and invested by the Group and the increase in the cost of services during the Reporting Period.

3. Financial Strategies and Financing Arrangements

During the Reporting Period, the PRC government further tightened the macro-economic control by raising the interest rate of loans in RMB and the deposit reserve rates in financial institutions for several times resulting in the soaring market interest rate which caused increased difficulty in obtaining external financing. During the Reporting Period, the Group actively requested the loan to be released in accordance with the loan agreement for the projects including Qinglian Project and issued long-term corporate bonds of RMB1.5 billion. The Group also attempted to ensure sufficient cash flow for payment and working capital by various ways of financing such as increase of entrusted loans, factoring and payables, and effectively optimised its debt structure and controlled the increase in financial costs.

As the Company has a sound debt structure and has taken a number of management measures during the year, the Group's composite borrowing costs for the Reporting Period amounted to 4.96% (2010: composite borrowing costs of 4.77%), which was only 0.19 percentage point slightly higher than that in 2010 and lower than the market borrowing rate. During the Reporting Period, the Group does not have any overdue principal and interests of bank loans.

As at the end of the Reporting Period, the Group's borrowings comprised mainly medium to long-term bank loans and bonds. The specific borrowing structure of the Group is shown as follows:



During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises. The follow-up debt credit rating of the corporate bonds of RMB800 million and the Bonds with Warrants of RMB1.5 billion issued in 2007 continued to maintain at AAA, while the follow-up debt credit rating for the medium-term notes of RMB700 million issued in 2010 maintained at AA+. The debt credit rating for the corporate bonds of 1.5 billion issued in the Reporting Period by the Company was AA+.

As at 31 December 2011, the Group had obtained a total of RMB14.16 billion of banking facilities, including RMB7.8 billion of credit facilities specifically for projects under construction and RMB6.36 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities available amounted to RMB6.01 billion, of which RMB1.22 billion was credit facilities specifically for projects under construction and RMB4.79 billion was general banking credit facilities.

In August 2011, the Company has completed the issue of corporate bonds in amount of RMB1.5 billion to the public. As undertaken in the prospectus, approximately RMB800 million from the fund raising would be utilised for replenishing the working capital of the Company and/or its subsidiaries and approximately RMB700 million would be utilised for repayment of the existing debts of the Company. During the Reporting Period, the Company utilised RMB1.066 billion from the proceeds, of which RMB700 million was utilised for repayment of the existing debts of the Company and RMB366 million was utilised for replenishing the working capital. The balance of the proceeds of RMB434 million were deposited in the bank. As the Group has stable and ample operating cash flow and sufficient banking facilities, the directors are of view that the Group's financial resources and financing capability are sufficient for satisfying the needs of payment of the principal and interests of bonds when fall due in the future.

5.3 Outlook and Plans

I. Fundamental Judgement on Operating Environment

The operating performance of the toll highway industry is closely tied to social economic development. In 2012, China's economic growth shows obvious slowdown while the global economy faces uncertainties, which may have negative impact on the total transportation volume and the growth of car ownership, thus posing pressure on the toll revenue growth of the Group. However, it is expected that under the central government's macro-control, the long-term trend of steady development of China's economy will continue. In addition, the increasing household income will also provide support to the demand for travelling.

In recent years, the external operating environment of the toll highway industry is undergoing major transitions and changes. The national policy on the industry further tightens and in the meantime negative public view of toll highways climbs. Although from the viewpoint of the overall domestic road network planning and road scale, significant changes in the overall policy on toll highways in near term are unlikely, upcoming individual policies or administrative measures will put pressure and challenges on the Group's operations and management.

In June 2011, five ministries of commissions including the National Development and Reform Commission, Ministry of Transport and so forth jointly announced the Notice on Implementation of Specific Clean-Up Work for Toll Highways, and launched a one-year nationwide specific clean-up work for toll highways. According to an implementation scheme approved by Guangdong Provincial Government, the toll fees of all the expressways in Guangdong province shall be re-approved in accordance with the unified toll rate, toll coefficient, calculating method for ramps and the rounding principle ("Adjustment Scheme"), but the detailed schedule for implementation is not cleared. Assuming the Adjustment Scheme were adopted for the whole year 2011, and based on the actual traffic volume of the major expressways operated by the Group for 2011, it is estimated that the overall toll revenue of the Group for the whole year 2011 would decrease approximately 9% to 10%. Such estimation had not taken into account any other positive or negative impact on traffic volume of the road network resulting from the adjustment of the toll fees. The aforesaid estimation is merely based on the historical information of the Group. Moreover, the extent of the impact of scheme on the Group would vary as the terms and schedule of the scheme vary. As at the date of this announcement, the Company had not received the notice on the implementation of the Adjustment Scheme. The Company will closely monitor the development and maintain active communication with government authorities to minimise policy risks. Meanwhile, the Company will adjust operating strategy in time and make efforts to safeguard the rights and interests of both the Company and its shareholders according to development needs and adapt to internal and external environment.

In 2012, the currency policy as a whole is expected to remain tight. The credit and financing will still be limited in the aspect of use, period, and so on. The cost of external funds will remain in higher level. Meanwhile, the group is entering its debt repayment peak. It makes the group to face higher financing pressure and more financing costs. And it is expected that the financial cost of the group in 2012 would be increased to a certain extent. In 2012, inflation pressure will continue, bringing certain challenges to the Group in controlling its cost of services, and there will also be greater pressure from rising construction costs, maintenance costs, staff costs and other operating expenses.

II. Analysis on Operating Conditions

Beijing, Hong Kong and Macao Expressway dual-line (Hunan section) which connected to the northern end of Qinglian Expressway and Erguang Expressway (Yongzhou, Hunan - Lianzhou, Guangdong) will be open to traffic as scheduled in the next few years, which will bring Qinglian Expressway an new growth in traffic volume. However, the construction plan of Guangle Expressway underway in the Guangdong Province, which basically runs parallel to Beijing, Hong Kong and Macao Expressway (Guangdong section) and Qinglian Expressway, may lead to diversion of certain traffic flow. However, the completion time or construction plan of the project is yet to be determined. As at the end of the date of this report, the bridge repair work of Guangzhou - Qingyuan Expressway had not been completed, and the measures of the prohibition of heavy transport vehicles are still being implemented. It has certain negative impact on the operating performance of Qinglian Expressway. In 2012, Han'e expressway (Wuhan - Ezhou), which runs parallel to Wuhuang Expressway will be completed and open to traffic, thus might cause diversion of some traffic flow from Wuhuang Expressway. In Shenzhen region, the impact on the Group caused by newly built or reconstructed municipal roads and the toll abolition for local roads is expected to remain. If the Adjustment Scheme is officially implemented in Guangdong Province, it will also have positive or negative impact on the distribution of the traffic flow in road network, leading to more uncertainty to the operational performance of the Group.

Following the growth of the use-age of the Group's highway projects and the completion of preventive maintenance planning program in Shenzhen region, in addition to the continuous implementation of closed repair of Qinglian Class 2 Road, the Company will implement projects repair and maintenance works in succession. In 2012, the group plans to launch on the maintenance and repair works of Jihe East. The expansion works of the Northern Section of Meiguan Expressway would be continuously promoted as planned during the year. The implementation of these works would cause certain effect on traffic efficiency of related highways and possibly cause a decline in the level of traffic volume and toll revenue. In the last couple of years, the Group repaired the Southern Section of Meiguan Expressway and carried out the expansion work of the North Section of Meiguan Expressway. The Group accumulated experiences in the construction organisation of the expressways in operation. Following the technology advancement and experience accumulation, the Group's arrangement of similar construction will be more reasonable. It is expected that the future maintenance or expansion works of the group does not have a significant effect on the routine operations.

III. Work Plans and Objectives in 2012

In 2012, the Group will continue to adhere to our philosophy of sound operation, by way of increasing income and containing expenditures, make good use of key special works such as project financing, entrusted construction, recovery of receivables from entrusted construction, maintenance and reconstruction of highways. The group exerts itself to the utmost to meet the targets for the year and provide support and guarantee for the smooth implementation of our strategy and the realisation of the Group's stable and healthy development. The Group's objectives and priorities for 2012 include:

◆ **Operating targets:** Based on the reasonable assumption that no substantial changes will occur in our operating environment, the Group has set the total toll revenue target for 2012 of not less than RMB2.7 billion, with operating costs and management expenses (excluding depreciation and amortisation) of approximately RMB0.8 billion, basically equaling the level of the year 2011.

◆ **Operations and highway management:** We will closely monitor any relevant policy changes, maintain good communication with government authorities and conduct accurate internal assessment. We will continue to improve service quality and ensure road traffic efficiency and traffic capacity. We will strengthen road network publicity and traffic flow divergence of Qinglian Company, and explore the market potential. We will promote the establishment of the highway management system, further our research on maintenance technology program, and carry out high quality maintenance and repair works of Jihe East.

◆ **Construction management:** By way of meticulous management, with emphasis on safety and quality management, we will enhance the awareness of project safety and quality management, so as to ensure the various performance targets such as safety, progress, quality, cost and environmental protection of our projects under construction. In respect of entrusted construction projects, we will continue to maintain close communication and active coordination with government authorities, accelerate project payment settlement and achieve timely recovery of entrusted construction revenue.

- **Investment and development:** We will attach greater effort to the strategic research, promote the implementation of the Company's five-year strategy and carry out timely review. We will conduct the research and negotiation in respect of the toll collection method adjustment program of Meiguan Expressway. We will move forward the preliminary studies and related negotiations regarding Outer Ring Expressway. Moreover, we will enhance the research and expansion of new industries, and promote project progress in a prudent manner.

- **Financial management:** We will continue to maintain sufficient cash on hand and in the meantime expand financing sources through various means. We will make the project financing to warrant the provision of funds and satisfy turnover needs under the annual budget. We will perfect the financial risk warning mechanism, strengthen the forecast and routine management of cash flow, and improve the timeliness and accuracy of financial plans. We will further optimise the debt structure and contain cost of capital reasonably by the premise of guarantee of financial security.

- **Comprehensive management:** We will continue to improve the Group's internal control and risk management mechanisms, promote the construction and application of the competency model, move forward optimisation of organisation, and improve the organisation and management system to meet the actual needs of the Group's development.

§6 Financial Statements

6.1 Specific description on the change in accounting policies, accounting estimates and accounting methods as compared to last year

In light of the acceptance of CAS and China Standards on Auditing and Mainland audit firms by HKEx and in order to improve the efficiency of and reduce the cost of disclosure, for the financial year beginning on or after 1 January 2011, the Company will only prepare one set of financial statements in accordance with CAS. For details thereof, please refer to the announcement dated 25 March 2011 and the circular dated 31 March 2011 of the Company.

During the Reporting Period, the Company has reviewed and adjusted the road maintenance and resurfacing plan previously based on the study results conducted by the external professional institutions and the operation department of the Company. With the optimisation of maintenance and resurfacing plan and the adoption of new technology in maintenance, the budgeted expenditure for principal maintenance and resurfacing of the roads of the Company was decreased in general and the schedule was also adjusted. Since 1 July 2011, the Group has, for prospective application, made provision for maintenance/resurfacing obligations based on current road maintenance and resurfacing plan and implementation schedule. Such matters pertain to changes in accounting estimates, resulting in increases of RMB325,408,000 in the shareholders' equity as at 31 December 2011 and RMB325,408,000 in the Net Profit for the year of 2011. For details related, please refer to the Board resolutions announcement dated 27 October 2011 and the third quarterly report of 2011 of the Company.

6.2 There is no correction of accounting errors occurred during the Reporting Period.

6.3 Specific description on the change in the Scope of Consolidated Financial Statements as compared to last year

During the Reporting Period, the Company has established Investment Company and Guishen Company. The financial statements of those companies have been consolidated into those of the Company.

During the Reporting Period, according to the supplementary shareholders' agreement in relation to JEL Company entered into between Mei Wah Company and Flywheel Investments Limited, the Company could exercise control over JEL Company since 1 July 2011 and thus JEL Company became a subsidiary of the Company on 1 July 2011, and its financial statements have been consolidated into those of the Company. The combination represents the business combination involving enterprises under common control in accordance with relevant requirements of the CAS, and JEL Company was deemed to be consolidated into the scope of the Group since the date on which JEL Company was under the same control of Shenzhen International as the Group. As JEL Company has been consolidated into the scope of the financial statements of the Company, the consolidated assets, liabilities, revenue, costs and cash flow of the Company increased accordingly in scale, while the equity and net profit attributable to the shareholders of the Company were not affected. For details related, please refer to the third quarterly report of 2011 of the Company.

6.4 Results review

The audit committee of the Company has reviewed and confirmed the results announcement and financial statements of the Company for the year ended 31 December 2011.

6.5 Auditors' procedures performed on this results announcement

The figures in respect of the preliminary announcement of the Group's results for the year ended 31 December 2011 have been agreed by the Group's auditors, PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian"), to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by PwC Zhong Tian in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Zhong Tian on the preliminary announcement.

§7 Changes in Share Capital and Shareholders

7.1 Information on the top ten shareholders and the top ten holders of non-restricted circulating shares

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders, the top ten shareholders and the top ten holders of non-restricted circulating shares of the Company were as follows:

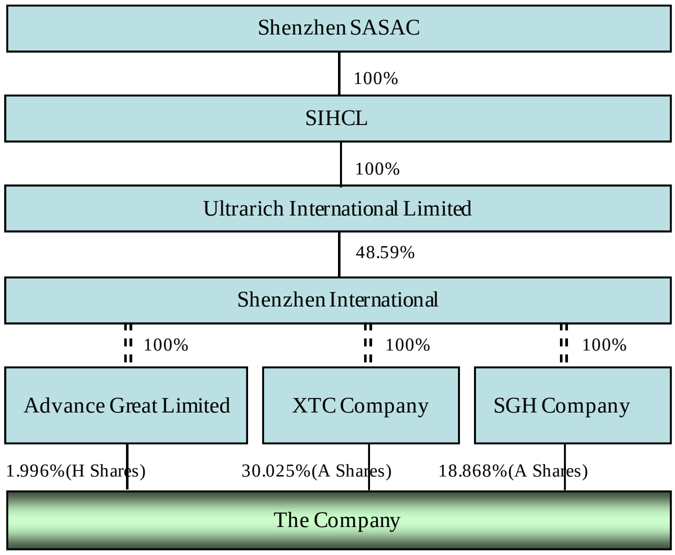
Unit: share

Total number of shareholders as at the end of 2011	The Company had 36,714 shareholders in total, including 36,421 holders of domestic shares and 293 holders of H Shares.	**Total number of shareholders as at the end of the month prior to the publication of this announcement**	The Company had 36,698 shareholders in total, including 36,405 holders of domestic shares and 293 holders of H Shares.

The top ten shareholders as at the end of 2011				
Name of shareholder	**Percentage**	**Number of shares held**	**Changes during the Reporting Period**	**Type of shares**
HKSCC Nominees Limited (Note)	32.44%	707,405,098	+3,874,000	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	30.03%	654,780,000	—	A Share
Shenzhen Shen Guang Hui Highway Development Company	18.87%	411,459,887	—	A Share
China Merchants Hua Jian Highway Investment Co., Ltd	4.00%	87,211,323	—	A Share
Guangdong Roads and Bridges Construction Development Company Limited	2.84%	61,948,790	—	A Share
Ip Kow	0.52%	11,300,000	-3,826,000	H Share
Au Siu Kwok	0.50%	11,000,000	—	H Share
Bank of China - CMF Pioneer Securities Investment Fund	0.47%	10,210,206	+10,210,206	A Share
Wong Kin Ping + Li Tao	0.23%	5,000,000	—	H Share
Shanghai International Trust Company Limited - E-3501	0.21%	4,610,913	+4,610,913	A Share

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

7.2 The ownership and the relation of control between the Company and the de-facto controller



§8 Other Matters

8.1 Purchase, sale or redemption of securities

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

8.2 Compliance with the Code on Corporate Governance Practices

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

8.3 Compliance with the Model Code

The Securities Transaction Code of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEx, as written guidelines to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The standards set out in Appendix 10 to the Listing Rules of HKEx have been incorporated into the Securities Transaction Code of the Company. After specifically inquiring with all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management complied with the standards for securities transactions by directors as stipulated under the aforesaid code during the Reporting Period.

§9 Definitions

Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City, comprising the *North Section of Meiguan Expressway* (Qinghu to Liguang) and the *South Section of Meiguan Expressway* (Meilin to Qinghu)
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising *Jihe East* (Qinghu to He'ao) and *Jihe West* (Airport to Qinghu)
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A (Yantian to Xichong), Yanba B (Xichong to Kuichong) and Yanba C (Kuichong to Bagang)
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue)
Outer Ring Expressway	Shenzhen Outer Ring Expressway
Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the Coastal Expressway from Guangzhou to Shenzhen ("*Coastal Expressway*")
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan
Qinglian Project	*Qinglian Expressway*, *Qinglian Class 1 Highway*, *Qinglian Class 2 Road* and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be, among which, the Lianzhou to Fengbu Section of Qinglian Project refers to *Liannan Section*
Yangmao Expressway	The expressway from Yangjiang to Maoming
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi ("*Guangwu Expressway*")
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway
Wuhuang Expressway	The expressway from Wuhan to Huangshi
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section)
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge
Longda Project	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of Longda Expressway
Nanping Project	The management of the construction project of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) undertaken by the Company, among which, the first phase of Nanping Freeway refers to *Nanping (Phase I)* and the second phase of Nanping Freeway refers to *Nanping (Phase II)*, comprising section A and section B
Shenyun Project	The management of the construction project of Shenyun-North Ring Interchange renovation in Shenzhen undertaken by the Company

Wutong Mountain Project	The management of the construction project of Shenzhen Wutong Mountain Avenue (Ancillary Road) and Jihe Expressway Yantian Subsidiary Road Checkpoint Station undertaken by the Company
Longhua Extension	The management of the construction project of Longhua Extension to Longda Expressway undertaken by the Company
Longda Municipal Section	The management of the construction project of municipal facilities of Dalang Section of Longda Expressway undertaken by the Company
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period
Guilong Project	The project of phase I of Guilong Road in Longli, Guizhou Province by "build - transfer" mode ("*Road Construction Project*") and the project of primary development of relevant land ("*Development Project*") undertaken by the Group
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)
JEL Company	Jade Emperor Limited
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited
Investment Company	深圳高速投資有限公司(Shenzhen Expressway Investment Company Limited)
Guishen Company	貴州貴深投資發展有限公司(Guizhou Guizhen Investment Development Company Limited)
Reporting Period, Period, Year	For the twelve months ended 31 December 2011
YOY	Year-on-year change rate as compared to the same period of 2010
The Company, Company	Shenzhen Expressway Company Limited
The Group, Group	The Company and its consolidated subsidiaries
A Shares	Renminbi-denominated ordinary shares of the Company with a par value of RMB1.00 each, which were issued in the PRC and subscribed in RMB and are listed on SSE
H Shares	Overseas-listed foreign shares of the Company with a par value of RMB1.00 each, which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
CAS	The Accounting Standards for Business Enterprises (2006) of the PRC
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited)
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company)
Shenzhen SASAC	深圳市人民政府国有资产监督管理委员会(State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government)

SIHCL	深圳市投資控股有限公司(Shenzhen Investment Holdings Company Limited)
Shenzhen International	Shenzhen International Holdings Limited
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited)
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited)
PRC	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
RMB	Renminbi, the lawful currency of the PRC
HK$	Hong Kong dollars, the lawful currency of the Hong Kong Special Administration Region of the PRC
Board	The board of Directors of the Company
Director(s)	The director(s) of the Company
Independent Director(s)	The independent non-executive Director(s) of the Company
Supervisory Committee	The Supervisory Committee of the Company
Supervisor(s)	The supervisor(s) of the Company

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 28 March 2012

As at the date of this announcement, the directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Hu Wei (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Wang Hai Tao (Independent Director), Mr. Zhang Li Min (Independent Director), Mr. Au Sing Kun (Independent Director) and Mr. Lin Chu Chang (Independent Director).

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

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Consolidated Financial Statements (including notes)

For the Year ended 31 December 2011

Shenzhen Expressway Company Limited

Consolidated Balance Sheet
As at 31 December 2011
(All amounts in RMB unless otherwise stated)

Assets	Note	31 December 2011	31 December 2010 (Restated)
Current assets			
Cash at bank and on hand	5(1)	2,175,670,176.39	874,274,396.40
Accounts receivable	5(2)	315,745,448.31	253,540,699.00
Advances to suppliers	5(4)	15,930,561.01	13,865,949.18
Interest receivable		1,054,222.22	1,715,171.24
Other receivables	5(3)	194,749,864.07	35,606,441.72
Inventories	5(5)	3,643,274.66	3,401,645.38
Total current assets		**2,706,793,546.66**	**1,182,404,302.92**
Non-current assets			
Long-term equity investments	5(6)	1,616,114,885.51	1,613,387,908.04
Investment properties	5(7)	16,404,925.00	16,980,625.00
Fixed assets	5(8)	1,215,347,067.45	1,042,577,899.00
Construction in progress	5(9)	28,349,097.79	47,334,146.65
Intangible assets	5(10)	18,962,584,720.93	19,037,800,337.24
Long-term prepaid expenses		3,049,260.65	3,964,038.77
Deferred tax assets	5(11)	60,149,197.95	105,517,561.08
Total non-current assets		**21,901,999,155.28**	**21,867,562,515.78**
Total assets		**24,608,792,701.94**	**23,049,966,818.70**

Shenzhen Expressway Company Limited

Consolidated Balance Sheet (continued)
As at 31 December 2011
(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	31 December 2011	31 December 2010 (Restated)
Current liabilities			
Short-term borrowings	5(12)	137,819,000.00	734,259,800.00
Notes payable		-	3,024,616.00
Accounts payable	5(13)	906,979,801.44	945,449,947.00
Advances from customers	5(14)	24,086,880.00	14,171,844.00
Employee benefits payable	5(15)	73,765,642.43	63,049,199.61
Taxes payable	5(16)	199,149,842.71	170,785,260.62
Interest payable	5(17)	96,738,066.52	56,915,058.28
Dividends payable	5(18)	7,829,353.57	-
Other payables	5(19)	292,636,940.62	386,082,960.13
Current portion of non-current liabilities	5(21)	812,396,755.52	195,463,729.63
Total current liabilities		**2,551,402,282.81**	**2,569,202,415.27**
Non-current liabilities			
Long-term borrowings	5(22)	5,898,630,708.00	5,757,383,500.00
Bonds payable	5(23)	4,355,649,716.83	2,807,923,750.11
Provisions	5(20)	356,109,917.53	882,434,765.75
Deferred tax liabilities	5(11)	938,248,278.82	1,033,403,386.02
Hedging instruments	5(24)	11,364,107.77	25,696,082.32
Total non-current liabilities		**11,560,002,728.95**	**10,506,841,484.20**
Total liabilities		**14,111,405,011.76**	**13,076,043,899.47**
Owners' equity			
Share capital	5(25)	2,180,770,326.00	2,180,770,326.00
Capital surplus	5(26)	3,184,545,911.42	3,155,178,649.17
Surplus reserve	5(27)	1,534,894,948.48	1,446,432,645.22
Undistributed profits	5(28)	2,304,205,866.63	1,866,445,317.49
Total equity attributable to owners of the Company		**9,204,417,052.53**	**8,648,826,937.88**
Minority interests	5(29)	1,292,970,637.65	1,325,095,981.35
Total owners' equity		**10,497,387,690.18**	**9,973,922,919.23**
Total liabilities and owners' equity		**24,608,792,701.94**	**23,049,966,818.70**

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai　　Chief Financial Officer: Gong Taotao　　Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Balance Sheet
As at 31 December 2011
(All amounts in RMB unless otherwise stated)

Assets	Note	31 December 2011	31 December 2010
Current assets			
Cash at bank and on hand		1,419,918,726.44	568,822,519.87
Accounts receivable	14(1)	261,825,282.91	217,361,364.51
Advances to suppliers		5,277,612.43	5,817,924.39
Interest receivable		1,054,222.22	1,715,171.24
Other receivables	14(2)	234,432,358.68	54,197,326.13
Inventories		1,396,799.80	1,620,033.26
Total current assets		**1,923,905,002.48**	**849,534,339.40**
Non-current assets			
Long-term receivables	14(3)	1,286,001,469.25	1,332,357,225.41
Long-term equity investments	14(4)	6,519,524,825.09	6,536,154,096.00
Investment properties	5(7)	16,404,925.00	16,980,625.00
Fixed assets	14(5)	655,712,088.89	585,565,536.27
Construction in progress	14(6)	1,392,509.32	1,746,567.52
Intangible assets	14(7)	5,060,277,975.29	5,160,086,289.08
Long-term prepaid expenses		3,049,260.65	3,964,038.77
Deferred tax assets		60,149,197.95	103,492,784.79
Total non-current assets		**13,602,512,251.44**	**13,740,347,162.84**
Total assets		**15,526,417,253.92**	**14,589,881,502.24**

Shenzhen Expressway Company Limited

Balance Sheet (continued)
As at 31 December 2011
(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	**Note**	**31 December 2011**	**31 December 2010**
Current liabilities			
Short-term borrowings	14(9)	155,000,000.00	798,959,000.00
Notes payable		-	3,024,616.00
Accounts payable	14(8)	113,209,630.98	177,072,709.99
Advances from customers		750,000.00	750,000.00
Employee benefits payable		49,767,762.00	46,561,798.21
Taxes payable		115,317,600.31	81,855,281.28
Interest payable		90,967,202.86	51,995,863.04
Other payables		197,942,202.12	316,618,145.73
Current portion of non-current liabilities	14(9)	379,586,432.03	172,631,343.63
Total current liabilities		**1,102,540,830.30**	**1,649,468,757.88**
Non-current liabilities			
Long-term borrowings	14(9)	1,622,019,900.00	1,944,794,500.00
Bonds payable	14(9)	4,363,096,009.72	2,816,038,196.64
Provisions	14(10)	356,109,917.53	632,629,231.75
Total non-current liabilities		**6,341,225,827.25**	**5,393,461,928.39**
Total liabilities		**7,443,766,657.55**	**7,042,930,686.27**
Owners' equity			
Share capital	5(25)	2,180,770,326.00	2,180,770,326.00
Capital surplus		2,315,587,934.74	2,315,587,934.74
Surplus reserve		1,534,894,948.48	1,446,432,645.22
Undistributed profits		2,051,397,387.15	1,604,159,910.01
Total owners' equity		**8,082,650,596.37**	**7,546,950,815.97**
Total liabilities and owners' equity		**15,526,417,253.92**	**14,589,881,502.24**

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai   Chief Financial Officer: Gong Taotao   Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Consolidated Income Statement
For the year ended 31 December 2011
(All amounts in RMB unless otherwise stated)

	Note	2011	2010 (Restated)
Revenue	5(30)	**2,951,619,056.98**	**2,765,300,387.03**
Less: Cost of services	5(30)	(1,182,533,577.16)	(1,316,355,885.86)
Business tax and surcharges	5(31)	(105,272,231.68)	(92,289,452.38)
General and administrative expenses	5(32)	(87,751,927.66)	(62,328,052.40)
Financial expenses – net	5(33)	(547,658,865.68)	(489,361,165.32)
Add: Investment income	5(34)	127,701,980.00	181,406,268.55
Including: share of profit of associates and joint ventures		127,701,980.00	181,406,268.55
Operating profit		**1,156,104,434.80**	**986,372,099.62**
Add: Non-operating income	5(35)	1,854,612.46	8,179,377.69
Including: Gains on disposal of non-current assets		81,690.00	5,829,307.94
Less: Non-operating expenses	5(35)	(1,343,877.29)	(5,702,608.36)
Including: Losses on disposal of non-current assets		(211,657.27)	(4,365,672.25)
Total profit		**1,156,615,169.97**	**988,848,868.95**
Less: Income tax expenses	5(36)	(237,077,391.39)	(183,120,483.64)
Net profit		**919,537,778.58**	**805,728,385.31**
Including: Net profit of the acquired entity in a business combination involving enterprises under common control before the combination	4(3)	96,088,811.49	212,569,528.99
Net profit attributable to owners of the Company		875,146,104.56	745,806,530.62
Minority interests		44,391,674.02	59,921,854.69
Earnings per share			
Basic earnings per share	5(37)	0.401	0.342
Diluted earnings per share	5(37)	0.401	0.342
Other comprehensive income	5(38)	**29,367,262.25**	**(12,777,033.26)**
Total comprehensive income		**948,905,040.83**	**792,951,352.05**
Attributable to owners of the Company		904,513,366.81	733,029,497.36
Minority interests		44,391,674.02	59,921,854.69

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai   Chief Financial Officer: Gong Taotao   Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Income Statement
For the year ended 31 December 2011
(All amounts in RMB unless otherwise stated)

	Note	2011	2010
Revenue	14(11)	**1,121,723,824.97**	**993,908,369.94**
Less: Cost of services	14(11)	(136,018,999.94)	(507,944,934.75)
Business tax and surcharges		(41,251,170.83)	(33,785,168.27)
General and administrative expenses		(84,804,591.07)	(61,805,045.67)
Financial expenses – net	14(12)	(223,988,226.45)	(202,797,235.24)
Add: Investment income	14(13)	402,618,567.27	582,386,362.84
Including: share of profit of associates and joint ventures		127,701,980.00	181,406,268.55
Operating profit		**1,038,279,403.95**	**769,962,348.85**
Add: Non-operating income		1,346,803.36	7,513,634.45
Including: Gains on disposal of non-current assets		7,170.00	5,809,353.94
Less: Non-operating expenses		(970,797.41)	(2,537,670.81)
Including: Losses on disposal of non-current assets		(61,049.25)	(1,379,411.21)
Total profit		**1,038,655,409.90**	**774,938,312.49**
Less: Income tax expenses	14(14)	(154,032,377.34)	(33,859,388.73)
Net profit		**884,623,032.56**	**741,078,923.76**
Other comprehensive income		**-**	**-**
Total comprehensive income		**884,623,032.56**	**741,078,923.76**

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai Chief Financial Officer: Gong Taotao Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Consolidated Cash Flow Statement
For the year ended 31 December 2011
(All amounts in RMB unless otherwise stated)

	Note	2011	2011 (Restated)
Cash flows from operating activities			
Cash received from rendering services		2,891,723,137.78	2,747,224,446.01
Refund of taxes and surcharges		17,398,563.48	-
Cash received relating to other operating activities	5(39)(a)	44,187,422.64	36,246,091.93
Sub-total of cash inflows		**2,953,309,123.90**	**2,783,470,537.94**
Cash paid for goods and services		(514,918,258.92)	(323,255,985.06)
Cash paid to and on behalf of employees		(216,113,042.21)	(165,565,368.88)
Payments of taxes and surcharges		(405,525,273.88)	(349,182,107.50)
Cash paid relating to other operating activities	5(39)(b)	(308,621,945.48)	(58,177,078.70)
Sub-total of cash outflows		**(1,445,178,520.49)**	**(896,180,540.14)**
Net cash flows from operating activities	5(40)(a)	**1,508,130,603.41**	**1,887,289,997.80**
Cash flows from investing activities			
Cash received from disposal of investments		19,301,663.36	31,168,445.06
Cash received from returns on investments		105,288,020.64	122,743,906.24
Net cash received from disposal of fixed assets		1,214,947.68	26,784,172.16
Cash received relating to other investing activities	5(39)(c)	17,009,922.62	23,553,840.11
Sub-total of cash inflows		**142,814,554.30**	**204,250,363.57**
Cash paid to acquire fixed assets and intangible assets		(872,999,038.45)	(963,474,937.00)
Net cash paid to acquire subsidiaries		(6,570,000.00)	(89,600,000.00)
Cash paid relating to other investing activities	5(39)(d)	(4,102,820.00)	(39,175,250.24)
Sub-total of cash outflows		**(883,671,858.45)**	**(1,092,250,187.24)**
Net cash flows from investing activities		**(740,857,304.15)**	**(887,999,823.67)**
Cash flows from financing activities			
Cash received from capital contributions		122,562,335.84	33,082,000.00
Including: Cash received from capital contributions by minority shareholders of subsidiaries		122,562,335.84	33,082,000.00
Cash received from borrowings		1,151,534,808.00	1,863,237,430.00
Cash received from issuance of bonds		1,481,500,000.00	697,326,500.00
Cash received relating to other investing activities	5(39)(e)	275,000,000.00	175,000,000.00
Sub-total of cash inflows		**3,030,597,143.84**	**2,768,645,930.00**
Cash repayments of borrowings		(1,233,175,098.65)	(2,975,069,920.49)
Cash payments for interest expenses and distribution of dividends or profits		(963,835,985.85)	(722,411,194.08)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(172,125,000.00)	(35,592,480.00)
Cash payments relating to other financing activities		(5,442,319.18)	(4,189,731.72)
Sub-total of cash outflows		**(2,202,453,403.68)**	**(3,701,670,846.29)**
Net cash flows from financing activities		**828,143,740.16**	**(933,024,916.29)**
Effect of foreign exchange rate changes on cash		**(4,776,124.46)**	**279,089.35**
Net increase in cash	5(40)(b)	**1,590,640,914.96**	**66,544,347.19**
Add: Cash at beginning of year		577,312,394.11	510,768,046.92
Cash at end of year	5(40)(c)	**2,167,953,309.07**	**577,312,394.11**

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai　　Chief Financial Officer: Gong Taotao　　Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Cash Flow Statement
For the year ended 31 December 2011

(All amounts in RMB unless otherwise stated)

	Note	2011	2010
Cash flows from operating activities			
Cash received from rendering services		1,066,113,470.75	984,452,282.45
Cash received relating to other operating activities		310,285,557.39	50,223,583.45
Sub-total of cash inflows		**1,376,399,028.14**	**1,034,675,865.90**
Cash paid for goods and services		(97,252,265.47)	(77,030,203.62)
Cash paid to and on behalf of employees		(122,575,764.96)	(89,625,015.78)
Payments of taxes and surcharges		(119,866,054.75)	(102,096,140.30)
Cash paid relating to other operating activities		(569,637,608.36)	(47,823,935.38)
Sub-total of cash outflows		**(909,331,693.54)**	**(316,575,295.08)**
Net cash flows from operating activities	14(15)(a)	**467,067,334.60**	**718,100,570.82**
Cash flows from investing activities			
Cash received from disposal of investments		378,476,238.13	223,477,966.24
Cash received from returns on investments		380,204,607.91	523,292,613.45
Net cash received from disposal of fixed assets		6,420.00	26,757,678.16
Cash received relating to other investing activities		125,677,882.61	13,338,571.63
Sub-total of cash inflows		**884,365,148.65**	**786,866,829.48**
Cash paid to acquire fixed assets and intangible assets		(298,650,700.26)	(290,333,999.15)
Net cash paid to acquire subsidiaries		(346,388,326.38)	(261,518,000.00)
Cash paid relating to other investing activities		(4,302,147.16)	(501,102,949.92)
Sub-total of cash outflows		**(649,341,173.80)**	**(1,052,954,949.07)**
Net cash flows from investing activities		**235,023,974.85**	**(266,088,119.59)**
Cash flows from financing activities			
Cash received from borrowings		949,600,000.00	1,483,385,000.00
Cash received from issuance of bonds		1,481,500,000.00	697,326,500.00
Cash received relating to other financing activities		275,000,000.00	220,911,842.86
Sub-total of cash inflows		**2,706,100,000.00**	**2,401,623,342.86**
Cash repayments of borrowings		(1,709,834,749.80)	(2,390,786,290.49)
Cash payments for interest expenses and distribution of dividends or profits		(551,193,265.58)	(456,721,817.34)
Cash payments relating to other financing activities		(6,982,735.79)	(2,892,080.23)
Sub-total of cash outflows		**(2,268,010,751.17)**	**(2,850,400,188.06)**
Net cash flows from financing activities		**438,089,248.83**	**(448,776,845.20)**
Effect of foreign exchange rate changes on cash		**160,783.26**	**1,004,077.36**
Net increase in cash	14(15)(b)	**1,140,341,341.54**	**4,239,683.39**
Add: Cash at beginning of year		271,860,517.58	267,620,834.19
Cash at end of year	14(15)(c)	**1,412,201,859.12**	**271,860,517.58**

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai   Chief Financial Officer: Gong Taotao   Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Consolidated Statement of Changes in Owners' Equity
For the year ended 31 December 2011
(All amounts in RMB unless otherwise stated)

Item	Attributable to owners of the Company				Minority interests	Total owners' equity
	Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Opening balance on 1 January 2010 (Audited)	2,180,770,326.00	3,167,955,682.43	1,372,324,752.84	1,456,439,118.37	688,926,755.67	8,866,416,635.31
Business combination under common control	-	-	-	-	578,757,850.99	578,757,850.99
Opening balance on 1 January 2010 (Restated)	2,180,770,326.00	3,167,955,682.43	1,372,324,752.84	1,456,439,118.37	1,267,684,606.66	9,445,174,486.30
Movements for the year ended 31 December 2010	-	-	-	-	-	-
Net profit	-	-	-	745,806,530.62	59,921,854.69	805,728,385.31
Other comprehensive income	-	(12,777,033.26)	-	-	-	(12,777,033.26)
Capital contribution	-	-	-	-	33,082,000.00	33,082,000.00
Profit distribution						
Appropriation to surplus reserves	-	-	74,107,892.38	(74,107,892.38)	-	-
Profit distribution to equity owners	-	-	-	(261,692,439.12)	(35,592,480.00)	(297,284,919.12)
Ending balance on 31 December 2010 (Restated)	2,180,770,326.00	3,155,178,649.17	1,446,432,645.22	1,866,445,317.49	1,325,095,981.35	9,973,922,919.23
Opening balance on 1 January 2011	2,180,770,326.00	3,155,178,649.17	1,446,432,645.22	1,866,445,317.49	1,325,095,981.35	9,973,922,919.23
Movements for the year ended 31 December 2011						
Net profit	-	-	-	875,146,104.56	44,391,674.02	919,537,778.58
Other comprehensive income		29,367,262.25	-	-	-	29,367,262.25
Capital contribution	-	-	-	-	122,562,335.84	122,562,335.84
Profit distribution						
Appropriation to surplus reserves	-	-	88,462,303.26	(88,462,303.26)	-	-
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(199,079,353.56)	(548,002,605.72)
Ending balance on 31 December 2011	2,180,770,326.00	3,184,545,911.42	1,534,894,948.48	2,304,205,866.63	1,292,970,637.65	10,497,387,690.18

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai   Chief Financial Officer: Gong Taotao   Head of accounting department: Sun Bin

Shenzhen Expressway Company Limited

Statement of Changes in Owners' Equity
For the year ended 31 December 2011
(All amounts in RMB unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
Opening balance on 1 January 2010	2,180,770,326.00	2,315,587,934.74	1,372,324,752.84	1,198,881,317.75	7,067,564,331.33
Movements for the year ended 31 December2011					
Net profit	-	-	-	741,078,923.76	741,078,923.76
Profit distribution					
Appropriation to surplus reserves	-	-	74,107,892.38	(74,107,892.38)	-
Profit distribution to equity owners	-	-	-	(261,692,439.12)	(261,692,439.12)
Ending balance on 31 December 2010	2,180,770,326.00	2,315,587,934.74	1,446,432,645.22	1,604,159,910.01	7,546,950,815.97
Opening balance on 1 January 2011	2,180,770,326.00	2,315,587,934.74	1,446,432,645.22	1,604,159,910.01	7,546,950,815.97
Movements for the year ended 31 December 2011					
Net profit	-	-	-	884,623,032.56	884,623,032.56
Profit distribution					
Appropriation to surplus reserves	-	-	88,462,303.26	(88,462,303.26)	-
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(348,923,252.16)
Ending balance on 31 December 2011	2,180,770,326.00	2,315,587,934.74	1,534,894,948.48	2,051,397,387.15	8,082,650,596.37

The attached notes are an integral part of these financial statements.

Legal representative: Yang Hai   Chief Financial Officer: Gong Taotao   Head of accounting department: Sun Bin

1 General information

Shenzhen Expressway Company Limited (the 'Company') was established as a joint stock limited company in the People's Republic of China (the 'PRC') on 30 December 1996. The principal activities of the Company and its subsidiaries (collectively the 'Group') are the construction, operation and management of toll highways and expressways in the PRC.

The address of the registered office and head office of the Company is 2-4/F, JiangSu Building, Yitian Road, Futian District, Shenzhen, the PRC.

Shenzhen International Holdings Limited ('Shenzhen International') is the parent company of the Company and Shenzhen Investment Holdings Company Limited ('SIHCL') is the ultimate controlling company of the Company.

The Company has its H shares and A shares listing on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively.

These financial statements have been approved for issue by the Company's Board of Directors on 28 March 2012.

2 Summary of significant accounting policies and accounting estimates

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and 38 specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standards for Business Enterprises, Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as 'the Accounting Standards for Business Enterprises' or 'CAS') and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting (2010 revised) issued by the China Securities Regulatory Commission.

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2011 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and Company's financial position as of 31 December 2011 and their financial performance, cash flows and other information for the year then ended.

(3) Accounting year

The accounting year starts on 1 January and ends on 31 December.

(4) Functional currency

The functional currency of the Company is Renminbi (RMB).

2 Summary of significant accounting policies and accounting estimates (continued)

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, come under common control of the ultimate controlling party. The portion of the net profit realised before the combination date is presented separately in the consolidated income statement.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profit and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profit respectively.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call deposits with banks and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2 Summary of significant accounting policies and accounting estimates (continued)

(8) Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognised in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. Financial assets held by the Group are financial assets at fair value through profit or loss and receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

(ii) Recognition and measurement of financial assets

Financial assets are recognised at fair value on the balance sheet when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets at fair value through profit or loss is recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(iii) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group determines the amount of impairment loss.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

(iv) Derecognition of financial assets

A financial assets is derecognised when one of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(b) Financial liabilities

(i) Classification of financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group are mainly other financial liabilities, including payables, borrowings and bonds payable.

(ii) Recognition and measurement

Payables, including accounts payable, other payables and notes payable, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

2 Summary of significant accounting policies and accounting estimates (continued)

(9) Financial instruments (continued)

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis and Option pricing model. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs.

(d) Cash flow hedge

Cash flow hedge refers to a hedging of the risk to changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

The hedged items of cash flow hedge are the designated items with respect to the risks associated with future cash flow change of the Group. Hedging instruments are designated derivative for cash flow hedge whose cash flows are expected to offset changes in the cash flows of a hedged item.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months.

The Group documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items (e.g., whether the actual offsetting result of the hedge falls in the range from 80% to 125%). The Group applies ratio analysis method to evaluate the ongoing effectiveness of the cash flow hedge.

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the profit or loss for the current period.

Amounts accumulated in equity are reclassified to the profit and loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

2 Summary of significant accounting policies and accounting estimates (continued)

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(a) Receivables that are individually significant and subject to separate provision

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established.

For accounts receivable, the criteria for ‘individually significant’ is that the amount exceeds RMB5,000,000.00; for other receivables, the criteria for ‘individually significant’ is that the amount exceeds RMB1,000,000.00.

Bad debt provision for receivables that are individually significant is established at the difference between the carrying amount and the present value of the estimated cash flows.

(b) Receivables that are subject to provision by groups

For all other receivables that are not individually significant or for which impairment has not yet been identified, the Group performs a collective assessment by including the receivables into groups with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss and taking into consideration of the current circumstances.

Basis of grouping:

Group 1	Receivables from government and related parties
Group 2	Receivables from other third parties

Methods of collective assessment with provisioning percentage as below:

Group 1	Other method
Group 2	Ageing analysis method

The provision ratios used under the ageing analysis method for the above groupings are as follows:

	Provisioning percentage applied for accounts receivable	Provisioning percentage applied for other receivables
Within 3 year	-	-
Over 3 years	100%	100%

2 Summary of significant accounting policies and accounting estimates (continued)

(10) Receivables (continued)

(b) Receivables that are subject to provision by groups (continued)

Ratios used in other method amongst aforesaid groups are as follows:

Name of the group	Explanation
Group 1	No provision for receivables from governments and related parties unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

(c) Receivables that are not individually significant but subject to separate provision

The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

The provision for bad debts is determined based on the difference of the carrying amount and present value of estimated future cash flows.

(11) Inventories

(a) Classification

Inventories include toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost is determined using the weighted average method.

(c) Basis for the determination of net realisable value and provisions for declines in the value of inventories

Provisions for declines in the value of inventories are determined at the excess of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables

Low value consumables are expensed when issued.

2 Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method. Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(b) Subsequent measurement

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards accordingly.

2 Summary of significant accounting policies and accounting estimates (continued)

(12) Long-term equity investments (continued)

(b) Subsequent measurement (continued)

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. If the accounting policies and the accounting periods are inconsistent between the Company and investees, the financial statements of investees are adjusted in accordance with the accounting policies and accounting period of the Company. The Group discontinues recognising its share of net losses of an investee after the carrying amount of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determination of the existence of control, jointly control or significant influence over the investee

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, joint ventures and associates is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)). For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss and cannot be reversed once recognised.

(13) Investment properties

Investment properties, principally comprising buildings that are held for the purpose of lease, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

2 Summary of significant accounting policies and accounting estimates (continued)

(13) Investment properties (continued)

The Group adopts the cost model for subsequent measurement of the investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual amortisation rates of the investment properties are as follows:

	Estimated useful lives	Estimated residual value rate	Annual amortisation rate
Car parking spaces	30 years	-	3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the amortisation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic equipment, motor vehicles, and office and other equipment.

Fixed assets are recognised when it is probable that related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the date of acquisition. The cost and accumulated depreciation of fixed assets injected by state shareholders to the Company on 1 January 1997 were recognised according to the value results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

2 Summary of significant accounting policies and accounting estimates (continued)

(14) Fixed assets (continued)

(b) Depreciation methods of fixed assets (continued)

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value rate	Annual depreciation rate
Buildings			
- Office building	20-30 years	5%	3.17%-4.75%
- Temporary house	10 years	5%	9.50%
- Structure	15 years	5%	6.33%
Traffic equipment	8-10 years	5%	9.50%-11.87%
Motor vehicles	5-6 years	5%	15.83%-19.00%
Office and other equipment	5 years	5%	19.00%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

(c) Impairment of fixed assets

The carrying amount of fixed assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(d) Disposal of fixed assets

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(16) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time of acquisition and construction for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

2 Summary of significant accounting policies and accounting estimates (continued)

(16) Borrowing costs (continued)

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalisation period.

For the general borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings used, to the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the period of expected duration or shorter period applied discounted to the initial amount of the borrowings.

(17) Intangible assets

Intangible assets include concession intangible assets, billboard use right and software and are measured at cost.

(a) Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost, which comprises construction related costs and borrowing costs that are eligible for capitalisation and incurred before the toll roads are ready for their intended use. The concession intangible assets are first stated at actual project costs or budget costs and then adjusted when project completion audit are finalised.

The concession intangible assets relating to the toll roads injected by the state-owned shareholders on 1 January 1997 were stated at valuation costs, which were valued by the asset valuation firms and certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911. The land-use right relating to Shenzhen Airport-Heao Expressway (Western Section) injected to the Company by the promoter of the Company during the restructuring period was stated at revaluation cost admitted by State-owned Assets Supervision and Administration Bureau on 30 June 1996. The land-use right relating to Meiguan Expressway owned by the subsidiary Shenzhen Meiguan Expressway Company Limited (‘Meiguan Company’) was injected by Xin Tong Chan Development (Shenzhen) Company Limited (‘Xin Tong Chan Company’), one of the promoters of the Company, at value specified in related investment agreement.

When toll roads are ready for their intended use, amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis (‘unit usage’), whereby amortisation is provided based on the proportion of actual traffic volume of a particular period over the total projected traffic volume throughout the operation periods.

The Company assesses of the total projected traffic volume annually. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies when material difference exists or every 3 to 5 years and then prospectively adjust the amortisation unit according to the revised total projected traffic volume, to ensure that the relative concession intangible assets would be fully amortised in the operation periods.

2 Summary of significant accounting policies and accounting estimates (continued)

(17) Intangible assets (continued)

(a) Concession intangible assets (continued)

Respective operating period and amortisation unit of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to December 2031	3.60
Yanpai Expressway	May 2006 to March 2027	1.49
Meiguan Expressway	May 1995 to March 2027	1.48
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	1.22
Nanguang Expressway	January 2008 to January 2033	3.20
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	4.54
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway*	July 2009 to July 2034	31.71
National Highway No. 107 (Qinglian Section)	September 1995 to September 2028	35.36

* Qinglian Class I Highway was upgraded into expressway and was put into operation on 25 January 2011. Its relevant concession intangible asset amounting to RMB229,468,112.83 was transferred into the concession intangible asset of Qinglian Expressway. Thereafter, the unit usage of Qinglian Expressway is re-set based on the traffic volume projected throughout its remaining operation period and the adjusted concession intangible asset.

Subsequent expenditures incurred for concession intangible assets are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(b) Other intangible assets

Billboard use rights are amortised on the straight-line basis over their approved useful lives of 5 years. Purchased software is amortised on the straight-line basis over their contracted useful lives of 5 years.

(c) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

(d) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

2 Summary of significant accounting policies and accounting estimates (continued)

(18) Long-term prepaid expenses

Long-term prepaid expenses include the prepaid expenditures that have been made but should be recgonised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(19) Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

Once the above asset impairment loss is recognised, it will not be reversed for the value recovered in the subsequent periods.

(20) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

Employees of the Group participate in the defined contribution pension plan set up and administered by government authorities. Based on salaries of the employees, basic pensions are provided for monthly according to stipulated proportions (10% to 11%) and not exceeding the stipulated upper limit, which is paid to local labour and social security institutions.

Where the Group terminates the employment relationship with employees before the end of the employment contract or offers compensation for encouraging employees to accept voluntary redundancy, a provision for termination benefits for the compensation arising from termination of the employment relationship with employees is recognised, with a corresponding charge to profit or loss when the Group has made a formal plan for termination of the employment relationship or an offer for voluntary redundancy which will be implemented immediately and cannot be withdrawn by the Group unilaterally.

2 Summary of significant accounting policies and accounting estimates (continued)

(20) Employee benefits (continued)

Except for the compensation to employees for termination of the employment relationship, the employee benefits for the service are recognised in the accounting period in which employees have rendered service, and as costs of assets or expenses whichever the employee service is attributable to.

(21) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

(22) Provisions

As part of its obligations under the respective service concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates. Provisions for maintenance and resurfacing are recognised when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

(23) Convertible bonds

The convertible bonds are split into liability and equity component at initial recognition. The liability component is determined as the discounted amount of future cash flows, and the equity component is determined as proceeds less liability component. The transaction costs incurred on the issue of the convertible bonds are allocated between the liability component and equity component based on the proportion of their amounts at initial recognition. The liability amount of the convertible bonds is measured at amortised cost using the effective interest method.

(24) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(a) The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.

2 Summary of significant accounting policies and accounting estimates (continued)

(24) Revenue recognition (continued)

(b) For construction management services income, when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

(c) For the service concessions contracts entered with the government departments, according to which the Group participates the developing, financing, operating and maintenance of toll road constructions, the Group recognised revenue and cost of services with the percentage of completion method during the construction period if the Group conduct the construction work on its own. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the settlement date as a percentage of total estimated costs for each contract. No construction services income would be recognised if the Group sub-contracts the work out to other parties.

(d) Advertising revenue is recognised on a straight-line basis over the contract period.

(e) Interest income is determined by using the effective interest method, based on the length of time for which the Group’s cash is used by others.

(f) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

(25) Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognised when the conditions attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at amount received or receivable. The non-monetary grant from the government is measured at its fair value.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current period.

(26) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled.

2 Summary of significant accounting policies and accounting estimates (continued)

(26) Deferred tax assets and deferred tax liabilities (continued)

Deferred tax assets are only recognised for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilised.

Deferred tax liabilities are recognised for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same tax payer within the Group and the same taxation authority; and,
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

(27) Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(28) Critical accounting estimates and judgments

The Group continually evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

2 Summary of significant accounting policies and accounting estimates (continued)

(28) Critical accounting estimates and judgments (continued)

(a) Amortisation of concession intangible assets

As stated at Note 2(17)(a), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the carrying amounts of concession intangible assets will be made should there be a material difference between total projected traffic volume and the actual results.

The directors performed a periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference. The Group had appointed independent professional traffic consultants to perform independent professional traffic studies to its main toll roads in 2006 and 2010, and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

(b) Provisions for maintenance/resurfacing obligations

As stated at Note 2(22), the Group has contractual obligations under the service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrading services, are to be recognised and measured as a provision.

The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve estimates. Such estimates are developed based on the Group’s resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to this obligation.

If the expected expenditures, resurfacing plan and discount rate were different from management’s current estimates, the provision for maintenance/resurfacing will be changed prospectively. In current year, the Group revisited and adjusted the predecessor road maintenance and resurfacing plan based on the latest study results conducted by the external professional institutions and the operation department of the Company. The specific reasons and financial impact for the changes in accounting estimates are discussed in Note 2(29).

(c) Impairment of concession intangible assets

According to the accounting policy stated in Note 2(19), concession intangible assets are tested by the Group for impairment if there is any indication that the assets may be impaired at the balance sheet date. In current year, Qinglian Expressway reported losses as it was still at its early stage of operation period. The Company assessed and considered that since the recoverable amount of concession intangible assets exceeded its carrying value, there was no need to make any impairment provision. The assessment relied on the projected traffic volume of Qinglian Expressway. Should there be a material difference between the projected traffic volume and the actual results, a change of accounting estimate would have been made.

2 Summary of significant accounting policies and accounting estimates (continued)

(28) Critical accounting estimates and judgments (continued)

(d) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. 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.

The Group recognises deferred tax assets based on estimates that it is probable to generate enough taxable incomes in the foreseeable future that the deductible losses will be utilised. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable incomes of the company who has tax loss. Where the final outcome of timing and amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

(29) Changes in critical accounting estimates

During the third quarter of 2011, the Company has reviewed and adjusted the road maintenance and resurfacing plan previously determined based on the latest study results conducted by the external professional institutions and the operation department of the Company. Along with the optimisation of maintenance and resurfacing plan and the adoption of new technology in maintenance, the budgeted expenditures to be incurred for principal maintenance and resurfacing of the roads of the Company decreased and the timing of maintenance events were rescheduled. Since 1 July 2011, the Group has, for prospective application, made provision for maintenance resurfacing obligations based on the adjusted road maintenance and resurfacing plan and implementation schedule. Effect of such changes in accounting estimates to financial statements for the year ended 31 December 2011 is analysed as follows:

	Amount
Decrease in deferred tax assets	RMB108,469,411.96
Decrease in provisions	RMB433,877,647.83
Decrease in costs of services	RMB424,867,247.23
Decrease in financial expenses	RMB9,010,400.60
Increase in income tax expenses	RMB108,469,411.96
Increase in net profit attributable to owners of the Company	RMB325,408,235.87

3 Taxation

The main categories and rates of taxes applicable to the Group are set out below:

Category	Tax base	Tax rate
Corporate income tax ('CIT')	Taxable income	(i)
Business tax	Revenue from expressway toll road business	3%
Business tax	Advertising income and revenue from other non-expressway toll road business	5%
Business tax	Taxable revenue from construction projects and management services	3%
City maintenance and construction tax	Amount of business tax paid	7%
Educational surcharge	Amount of business tax paid	3%
Local educational surcharge (ii)	Amount of business tax paid	2%
Construction fee for country culture development (iii)	Amount of revenue	3%

(i) CIT

The applicable CIT rate of the Company and its subsidiaries are analysed as follows:

	Applicable rate
The Company	24%
Shenzhen Expressway Advertising Company Limited ('Advertising Company')	24%
Meiguan Company	24%
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ('Airport-Heao Eastern Company')	24%
Guangdong Qinglian Highway Development Company Limited ('Qinglian Company')	12%
Mei Wah Industrial (Hong Kong) Limited ('Mei Wah Company')	25%
Maxprofit Gain Limited ('Maxprofit Company')	25%
Shenzhen Outer Ring Expressway Investment Company Limited ('Outer Ring Company')	25%
Jade Emperor Limited ('JEL Company')	25%
Hubei Magerk Expressway Management Private Limited ('Magerk Company')	24%
Shenzhen Expressway Investment Company Limited ('Expressway Investment Company')	25%
Guizhou Guishen Investment and Development Company Limited ('Guishen Company')	25%

The previous applicable CIT rate for the Company and Advertising Company, Meiguan Company, Airport-Heao Eastern Company and Magerk Company (all are the subsidiaries of the Company) was 15%. According to the CIT Law and relevant regulations, the CIT rate applicable to the Company, Advertising Company, Meiguan Company, Airport-Heao Eastern Company and Magerk Company will be gradually increased to 25% over a five-year period from 2008 to 2012, and accordingly the applicable CIT rate is 24% in 2011.

According to the CIT Law and relevant regulations, the CIT rate applicable to Qinglian Company, the subsidiary of the Company, will be gradually increased to 25% over a five-year period from 2008 to 2012. According to the Reply Letter of Guoshuifa [1997] No.072, Qinglian Company is exempt from CIT for two years commencing from its first year of profitable operation after offsetting prior years' tax losses, followed by a 50% reduction for the next three years. According to Guoshuifa [2007] No.39 issued by State Council, Qinglian Company started to enjoy this preferential policy in 2008 and accordingly its applicable CIT rate of current year is 12%.

3 Taxation

(i) CIT (continued)

According to Guoshuihan [2010] No.651, 'Reply letter from State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited', issued by State Administration of Taxation on 30 December 2010, Mei Wah Company, Maxprofit Company and JEL Company were recognised as resident enterprises of China and would be subject to the relevant taxation administration with effective date from 2008.

(ii) According to 'Provisional regulations for the collection and utilisation of local educational surcharges in Guangdong Province', the Company, Advertising Company, Meiguan Company, Airport-Heao Eastern Company and Qinglian Company are obligated to pay local educational surcharge which is calculated at 2% on the business tax that actually paid with effective date from 1 January 2011.

(iii) Advertising Company is obligated to pay construction fee for country culture development which is calculated at 3% on its revenue.

4 Business combinations and the consolidated financial statements

(1) Background of subsidiaries

(a) Subsidiaries acquired through incorporation are analysed as follows:

	Type	Place of registration	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Outer Ring Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	100,000,000	Construction, operation and management of the Shenzhen section of Shenzhen Outer Ring Expressway	Limited liability company	Wu Ya De	55543683-6
Expressway Investment Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Investment	200,000,000	Industrial investment and project construction	Limited liability company	Ge Fei	440304-180904
Guishen Company	Indirect holding*	Longli County, Guizhou Province, PRC	Infrastructure construction	500,000,000	Investment, construction and management of road and urban and rural infrastructure	Limited liability company	Ge Fei	522730-001615

* Expressway Investment Company holds 70% equity interests of Guishen Company.

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting right	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Outer Ring Company	100,000,000.00	-	100%	100%	Yes	-	Not applicable
Expressway Investment Company	200,000,000.00	-	100%	100%	Yes	-	Not applicable
Guishen Company	140,000,000.00	-	70%	70%	Yes	59,832,582.00	167,418.00

4 Business combinations and the consolidated financial statements (continued)

(1) Background of subsidiaries (continued)

(b) Subsidiaries acquired through business combinations involving enterprises under common control are analysed as follows:

	Type	Place of registration	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
JEL Company	Direct holding	The Cayman Islands	Investment holding	USD30,000,000	Investment holding	Foreign enterprise	Not applicable	Not applicable
Magerk Company	Indirect holding*	Hubei Province. PRC	Toll road operation	UDS28,000,000	Toll management of the expressway from Wuhan to Huangshi	Limited liability company	Li Jian	615407405

* JEL Company holds 100% equity interests of Magerk Company.

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
JEL Company	675,097,257.68	-	55%	55%	Yes	520,133,968.62	-
Magerk Company	231,883,200.00	-	55%	55%	Yes	-	Not applicable

4 Business combinations and the consolidated financial statements (continued)

(1) Background of subsidiaries (continued)

(c) Subsidiaries acquired through business combinations involving enterprises not under common control

	Type	Place of registration	Nature of business and principal activities	Registered capital	Scope of business	Nature	Legal representative	Code of organisation
Qinglian Company	Direct and indirect holding	Qingyuan City, Guangdong Province, PRC	Operation and management of highways	RMB3,105,959,997.64	Development, operation and management of Qinglian Expressway and National Highway No.107 (Qinglian Section)	Limited liability company	Wu Ya De	61806320-6
Advertising Company	Direct and indirect holding	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000	Design, prepare and agent advertising and the related consultancy	Limited liability company	Luo Cheng Bao	19224838-4
Meiguan Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB332,400,000	Toll management of the expressway from Meilin to Guanlan	Limited liability company	Zhou Qing Ming	61887636-2
Mei Wah Company	Direct holding	Hong Kong	Investment holding	HKD795,381,300	Investment holding	Foreign enterprise	Not applicable	Not applicable
Maxprofit Company	Indirect holding	British Virgin Islands	Investment holding	USD1	Investment holding	Foreign enterprise	Not applicable	Not applicable
Airport-Heao Eastern Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB440,000,000	Toll management of the eastern expressway from Shenzhen airport to Heao	Limited liability company	Zhou Qing Ming	61892043-1

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Qinglian Company	2,776,830,004.33	-	76.37%	76.37%	Yes	713,004,087.03	35,832,571.12
Advertising Company	3,500,000.01	-	100%	100%	Yes	-	Not applicable
Meiguan Company	651,880,191.16	-	100%	100%	Yes	-	Not applicable
Mei Wah Company	831,769,303.26	-	100%	100%	Yes	-	Not applicable
Maxprofit Company	797,414,487.68	-	100%	100%	Yes	-	Not applicable
Airport-Heao Eastern Company	1,145,145,597.78	-	100%	100%	Yes	-	Not applicable

4 Business combinations and the consolidated financial statements (continued)

(2) Entities newly included in the consolidation scope in the current year

	Net assets on 31 December 2011	Net profit/(loss) for the current period
JEL Company and Magerk Company(i)	1,155,853,263.61	178,648,140.32
Expressway Investment Company(ii)	197,628,557.35	(2,371,442.65)
Guishen Company(ii)	199,441,939.99	(558,060.02)

(i) JEL Company and its wholly owned subsidiary, Magerk Company were acquired in a business combination involving enterprises under common control in current year (Note 4(3)).
(ii) Expressway Investment Company and Guishen Company were subsidiaries incorporated in current year.

(3) Business combinations involving entities under common control

	Criteria for determining 'business combination involving enterprises under common control'	Ultimate controlling party	From the beginning of the year to the combination date		
			Revenue	Net profit	Cash flows from operating activities
JEL Company	JEL Company and the Company are controlled by Shenzhen International both before and after the combination and the control is not temporary.	Shenzhen International	212,951,346.44	96,088,811.49	120,594,062.32

JEL Company was acquired by Mei Wah Company, a fully owned subsidiary of the Company in August 2005. Mai Wah Company held 55% equity interest in JEL Company. In accordance with the shareholders' agreement reached by Mai Wah Company and Flywheel Investment Limited (a wholly owned subsidiary of Shenzhen International), the equity holder of the remaining 45% equity interest of JEL Company, any shareholder resolution shall be passed upon the mutual consent of the two shareholders. All board resolution shall be passed upon common consent of the directors presented in a board meeting. Every board meeting shall consist of three directors and include one director from Mai Wah Company and one director from Flywheel Investment Limited, at the minimum. Therefore, JEL Company was deemed as a joint venture of the Group and the related equity investment was accounted with equity accounting method. In the third quarter of 2011, Mai Wah Company and Flywheel Investment Limited reached a supplementary agreement. According to that, any shareholder resolution can be passed upon more than 50% of voting right and any board resolution can be passed upon more than 50% voting right of directors. Every board meeting shall consist of three directors and more than half shall be directors from Mai Wah Company. Accordingly, the Group obtained the control over JEL Company since the third quarter of 2011. The Group recorded investment in JEL Company as investment in a subsidiary and included it into the consolidation scope.

The combination date was 1 July 2011, which was the date when the Company obtained the control over JEL Company. Since JEL Company and the Company were controlled by Shenzhen International both before and after the combination and the control is not temporary, the combination was a business combination involving entities under common control.

4 Business combinations and the consolidated financial statements (continued)

(3) Business combinations involving entities under common control (continued)

The carrying amounts of assets and liabilities of JEL Company at the date of the combination are as follows:

	Carrying amount at combination date	Carrying amount as at 31 December 2010
Cash at bank and on hand	60,871,705.79	41,847,014.74
Accounts receivable	6,859,979.12	8,213,565.22
Other receivables	111,308,674.47	444,602,558.60
Fixed assets	20,636,987.06	15,970,226.56
Construction in progress	13,337,318.01	5,300,132.80
Intangible assets	1,094,796,308.66	1,141,595,661.49
Other assets	1,941,609.23	2,024,776.29
Less: Dividends payable	(17,398,563.48)	-
Taxes payable	(11,337,039.09)	(21,573,460.97)
Other payables	(3,361,678.96)	(5,703,262.33)
Deferred tax liabilities	(204,361,366.03)	(212,673,525.64)
Net assets	1,073,293,934.78	1,419,603,686.76
Less: Minority interests	(482,982,270.65)	(638,821,659.04)
Net assets	590,311,664.13	780,782,027.72

Revenue, net profit and cash flows of JEL Company for the period from 1 January 2011 to the combination date and for the year ended 31 December 2010 are as follows:

	For the period from 1 January 2011 to the combination date	Year ended 31 December 2010
Revenue	212,951,346.44	478,171,214.54
Net profit	96,088,811.49	212,569,528.99
Cash flows from operating activities	120,594,062.32	269,928,148.42
Net cash inflows	24,257,146.02	10,179,852.01

As required by Accounting Standards for Business Enterprises, the subsidiary obtained from business combination involving entities under common control should be deemed as a consolidated subsidiary in the Group's scope from the date both JEL Company and the Company were controlled by Shenzhen International. The Group restated the 2010 consolidated financial statements and disclosed the net profit generated by JEL Company before combination date in the consolidated income statement for the current year as a separate item.

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2011			31 December 2010		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Cash on hand						
RMB			3,845,413.16			711,397.36
USD	11,321.00	6.3009	71,332.49	11,321.00	6.6227	74,975.59
Other foreign currencies			20,456.85			12,429.32
Subtotal			3,937,202.50			798,802.27
Bank deposits						
RMB			2,138,830,722.01			822,582,945.55
HKD	40,557,566.03	0.8107	32,880,018.78	59,782,912.20	0.8509	50,869,279.99
USD	3,528.56	6.3009	22,233.10	3,528.56	6.6227	23,368.59
Subtotal			2,171,732,973.89			873,475,594.13
Total			2,175,670,176.39			874,274,396.40

The Company is engaged to manage highway construction projects. As at 31 December 2011, project funds retained for construction management were RMB7,716,867.32 (31 December 2010: RMB21,962,002.29). As at 31 December 2011, there was no fixed deposit pledged as collateral for borrowings (31 December 2010: fixed deposits amounting to RMB275,000,000.00 were pledged as collateral for a short-term borrowing of HKD316,000,000.00). The above project funds retained for construction management and fixed deposits pledged as collateral for borrowings were disclosed as restricted bank balances in cash flow statement (Note 5(40)(c)).

(2) Accounts receivable

	31 December 2011	31 December 2010
Accounts receivable	315,778,948.31	253,574,199.00
Less: provision for bad debts	(33,500.00)	(33,500.00)
	315,745,448.31	253,540,699.00

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2011	31 December 2010
Within 1 year	129,219,411.84	118,106,384.73
1 to 2 years	61,327,067.98	1,410,276.66
2 to 3 years	12,485.00	6,954,776.11
Over 3 years	125,219,983.49	127,102,761.50
	315,778,948.31	253,574,199.00

5 Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(a) Accounts receivable is analysed by categories as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
-Group 1	279,139,841.26	88.40%	-	-	242,870,238.96	95.78%	-	-
-Group 2	36,639,107.05	11.60%	33,500.00	0.09%	10,703,960.04	4.22%	33,500.00	0.31%
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	315,778,948.31	100.00%	33,500.00	0.01%	253,574,199.00	100.00%	33,500.00	0.01%

(b) Group 2 is accounts receivable of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	36,593,122.05	99.88%	-	-	10,635,847.69	99.37%	-	-
1 to 2 years	-	-	-	-	34,612.35	0.32%	-	-
2 to 3 years	12,485.00	0.03%	-	-	-	-	-	-
Over 3 years	33,500.00	0.09%	33,500.00	100.00%	33,500.00	0.31%	33,500.00	100.00%
	36,639,107.05	100.00%	33,500.00	0.09%	10,703,960.04	100.00%	33,500.00	0.31%

(c) Accounts receivable from related parties is analysed as follows:

	Relationship with the Group	31 December 2011			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	Controlled by the ultimate holding company, together with the Company	42,880,964.26	13.58%	-	-	-	-
Shenzhen Baotong Highway Construction and Development Company Limited ('Baotong Company')	Controlled by the ultimate holding company, together with the Company	3,231,848.78	1.02%	-	-	-	-
		46,112,813.04	14.60%	-	-	-	-

(d) As at 31 December 2011 and 31 December 2010, there was no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

5 Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(e) As at 31 December 2011, the five largest accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Due from Shenzhen Traffic and Transportation Committee ('Shenzhen Transportation Bureau') in relation to the project management services to Nanping Freeway (Phase I) Project ('Nanping (Phase I) Project') *	Independent third party	141,057,177.49	2 to 5 years	44.67%
Due from Coastal Company in relation to the project management services to Guangshen Coastal Expressway (Shenzhen Section) (the 'Coastal Project')	Controlled by the ultimate holding company, together with the Company	42,880,964.26	Within 1 year	13.58%
Due from revenues through Unitoll Card	Independent third party	48,288,369.41	Within 1 year	15.29%
Due from Highway Bureau of Longgang Distinct in relation to the project management services to Hengping Project	Independent third party	33,100,617.48	1 to 3 years	10.48%
Due from Qingyuan government in relation to the annual ticket compensation	Independent third party	3,300,000.00	Within 1 year	1.05%
		268,627,128.64		85.07%

* From 1 January 2012 to the approval date of the financial statements, the Company has collected project management fees from Shenzhen Transportation Bureau in relation to Nanpnig (Phase I) Project amounting to RMB89,000,000.00.

(f) As at 31 December 2011 and 31 December 2010, all accounts receivable were denominated in RMB.

(3) Other receivables

	31 December 2011	31 December 2010
Advances	175,754,609.79	3,640,310.96
Guaranteed deposits	-	9,625,400.00
Others	18,995,254.28	22,340,730.76
	194,749,864.07	35,606,441.72
Less: provision for bad debts	-	-
	194,749,864.07	35,606,441.72

(a) The ageing of other receivables is analysed as follows:

	31 December 2011	31 December 2010
Within 1 year	193,472,935.11	23,596,405.73
1 to 2 years	1,023,144.19	1,317,034.81
2 to 3 years	253,784.77	771,170.18
Over 3 years	-	9,921,831.00
	194,749,864.07	35,606,441.72

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(b) Other receivables are analysed by categories as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
-Group 1	175,679,961.81	90.21%	-	-	15,659,902.37	43.98%	-	-
-Group 2	19,069,902.26	9.79%	-	-	19,946,539.35	56.02%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	194,749,864.07	100.00%	-	-	35,606,441.72	100.00%	-	-

(c) Group 2 is other receivables of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	18,446,532.07	96.73%	-	-	19,629,504.54	98.41%	-	-
1 to 2 years	369,585.42	1.94%	-	-	317,034.81	1.59%	-	-
2 to 3 years	253,784.77	1.33%	-	-	-	-	-	-
	19,069,902.26	100.00%	-	-	19,946,539.35	100.00%	-	-

(d) As at 31 December 2011 and 31 December 2010, there were no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

(e) Other receivables from related parties are analysed as follows:

	Relationship with the Group	31 December 2011			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Baotong Company	Controlled by the ultimate holding company, together with the Company	-	-	-	364,260.33	1.02%	-

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(f) As at 31 December 2011, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Due from Guizhou Longli Country Government in relation to the advances to the construction project of phase I of Guilong Road by 'Build - Transfer' mode ('Longli BT Project') and the advances to the joint development of the project of primary development of land	Independent third party	167,364,988.40	Within 1 year	85.94%
Due from Shenzhen Government in relation to the advances to the migration project of Meilin toll station	Independent third party	5,740,667.00	Within 1 year	2.95%
Due from the escort companies in relation to the toll road revenue in transit	Independent third party	1,663,565.00	Within 1 year	0.85%
Advances of charges for water and electricity for Nanguang Checkpoint Station	Independent third party	613,283.57	Within 1 year	0.32%
Rental fees due from Guangshengang Passenger Dedicated Line	Independent third party	237,615.00	Within 1 year	0.12%
		175,620,118.97		90.18%

(g) As at 31 December 2011 and 31 December 2010, all other receivables were denominated in RMB.

(4) Advances to suppliers

The ageing of advances to suppliers is analysed below:

	31 December 2011		31 December 2010	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	15,364,061.01	96.44%	13,433,949.18	96.88%
Over 1 year	566,500.00	3.56%	432,000.00	3.12%
	15,930,561.01	100.00%	13,865,949.18	100.00%

As at 31 December 2011, advances to suppliers over 1 year mainly represent advances made for the maintenance fee for traffic equipment which were not fully settled since the contracts have not been completed.

(a) Advances to related parties are analysed as follows:

	Relationship with the Group	31 December 2011			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Shenzhen Expressway Engineering Consulting Company Limited ('Consulting Company')	An associate of the Company	949,523.20	5.96%	-	-	-	-

(b) As at 31 December 2011 and 31 December 2010, there were no advances to shareholders holding more than 5% (including 5%) of the voting rights of the Company.

5 Notes to the consolidated financial statements (continued)

(4) Advances to suppliers (continued)

(c) As at 31 December 2011, the five largest advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Advances to Anhui Water Conservancy Development Company Limited in relation to maintenance project of National Highway No. 107 (Qinglian Section)	Independent third party	3,000,000.00	Within 1 year	18.83%
Advances to Shenzhen Roads and Bridges Construction Group in relation to ordinary maintenance of toll roads	Independent third party	2,943,766.00	Within 1 year	18.48%
Project funds advanced to Consulting Company	An associate of the Company	949,523.20	Within 1 year	5.96%
Advances to Shenzhen Dongpeng Printing Plant in relation to printing expenses	Independent third party	840,000.00	Within 1 year	5.27%
Advances to Shenzhen Ridonghong Advertising Company Limited in relation to placement of advertisement	Independent third party	648,163.08	Within 1 year	4.07%
		8,381,452.28		52.61%

(d) As at 31 December 2011 and 31 December 2010, all advances to suppliers were denominated in RMB.

(5) Inventories

	31 December 2011	31 December 2010
Toll tickets	2,748,416.26	2,885,292.06
Low value consumables	402,531.60	12,240.40
Maintenance and repair parts	492,326.80	504,112.92
	3,643,274.66	3,401,645.38

As at 31 December 2011, no provision for declines in the value of inventories has been made by the Group (31 December 2010: nil).

(6) Long-term equity investments

	31 December 2011	31 December 2010
Joint ventures, unlisted (a)	183,131,418.94	186,386,155.67
Associates, unlisted (b)	1,402,813,466.57	1,398,501,752.37
Other long-term equity investments, unlisted (c)	30,170,000.00	28,500,000.00
	1,616,114,885.51	1,613,387,908.04

No substantial restriction exists which prohibit the recovery of long-term equity investments of the Group.

As at 31 December 2011, no provision for impairment of long-term equity investments was required (31 December 2010: nil).

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(a) Investment in joint ventures

				Current year movement									
	Accounting method	Ending balance of investment cost	31 December 2010	Addition	Share of net profit/(loss)	Cash dividend declared	Investment cost recovered(i)	31 December 2011	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current year
Changsha Shenchang Expressway Company Limited ('Shenchang Company')	Equity method	341,336,190.32	186,386,155.67	-	(2,237,501.98)	-	(5,917,234.75)	178,231,418.94	51%	(iii)	(iii)	-	-
Guizhou Guilong Urban Economic Region Investment and Development Company Limited ('Guilong Company') (ii)	Equity method	4,900,000.00	-	4,900,000.00	-	-	-	4,900,000.00	49%	(iii)	(iii)	-	-
			186,386,155.67	4,900,000.00	(2,237,501.98)	-	(5,917,234.75)	183,131,418.94				-	-

(i) The amounts represent cash flow derived from daily operation of the toll roads and distributed by the joint ventures to the Company as stipulated the joint venture agreements. The amounts are deemed as recovery of investment cost of the Company.

(ii) Guilong Company was established in current year in accordance with the cooperation agreement entered into by the Company and Guizhou Province Longli County Government. It is principally engaged in the investment and management of road construction and land development. The registered capital of Guilong Company is RMB10,000,000.00, amongst which RMB4,900,000.00 and 49% of equity interest were held by the Company. In current year, the company has not commenced its operation.

(iii) According to the related joint venture contracts and articles of incorporation, the principal financial and operating decisions of the joint ventures shall be made based on the common consent of both investment parties. As a result, these joint ventures are deemed as the Company's joint ventures and are accounted for with equity method.

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(b) Investment in associates

	Accounting method	Ending balance of investment cost	31 December 2010	Current year movement: Share of net profit/(loss)	Current year movement: Cash dividend declared	Current year movement: Investment cost recovered	31 December 2011	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current year
Shenzhen Qinglong Expressway Company Limited ('Qinglong Company')	Equity method	151,075,345.09	196,549,491.64	63,516,542.50	(63,516,542.50)	(3,155,906.75)	193,393,584.89	40%	40%	Not applicable	-	-
Consulting Company	Equity method	2,134,142.45	10,332,299.43	2,821,502.73	-	-	13,153,802.16	24%	24%	Not applicable	-	-
Shenzhen Huayu Expressway Investment Company Limited ('Huayu Company')	Equity method	59,851,927.88	57,721,927.88	(1,282,412.62)	-	-	56,439,515.26	40%	40%	Not applicable	-	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	Equity method	291,930,000.00	268,733,659.68	3,665,016.69	-	-	272,398,676.37	25%	25%	Not applicable	-	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	Equity method	263,044,681.47	250,602,768.35	3,407,869.88	-	(6,955,318.53)	247,055,319.70	25%	25%	Not applicable	-	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	Equity method	249,340,567.72	227,831,263.12	34,511,475.94	(25,000,000.00)	-	237,342,739.06	25%	25%	Not applicable	-	-
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	Equity method	250,000,000.00	210,760,211.05	6,528,008.72	-	-	217,288,219.77	25%	25%	Not applicable	-	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	Equity method	168,951,478.14	175,970,131.22	16,771,478.14	(16,771,478.14)	(10,228,521.86)	165,741,609.36	30%	30%	Not applicable	-	-
			1,398,501,752.37	129,939,481.98	(105,288,020.64)	(20,339,747.14)	1,402,813,466.57				-	-

The Company's 40% equity investment in Qinglong Company is pledged as security for long-term borrowings amounting to RMB665,000,000.00 (Note 5(22)(a)).

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(c) Other long-term equity investment

	Accounting method	Ending balance of investment cost	31 December 2010	Capital injection in current year	31 December 2011	Equity interest held*	Voting rights held*	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current year	Cash dividends declared in the current year
Guangdong Untied Electronic Collection Inc ('United Electronic Company')	Cost method	30,170,000.00	28,500,000.00	1,670,000.00	30,170,000.00	18.02%	18.02%	Not applicable	-	-	-

* According to the third extraordinary shareholders' meeting of United Electronic Company in 2009, the registered capital of United Electronic Company was increased from RMB10,000,000 to RMB200,000,000. As at 31 December 2011, the capital injection was in progress and the equity interest held by the Company in United Electric Company was 18.02%. The equity percentage held by the Company would decrease to 15% upon the completion of capital injection.

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(d) Joint ventures and associates

	Equity interest held	Voting rights held	31 December 2011 Total assets	Total liabilities	Net assets	2011 Revenue	Net profit/(loss)
Joint ventures —							
Shenchang Company	51%	51%	369,865,824.08	20,392,453.61	349,473,370.47	34,235,372.33	(4,387,258.78)
Guilong Company	49%	49%	10,000,000.00	-	10,000,000.00	-	-
			379,865,824.08	20,392,453.61	359,473,370.47	34,235,372.33	(4,387,258.78)
Associates —							
Qinglong Company	40%	40%	2,081,782,548.74	1,602,388,613.16	479,393,935.58	413,536,851.79	158,791,356.25
Consulting Company	24%	24%	117,571,198.83	62,763,689.83	54,807,509.00	158,794,875.96	10,048,149.50
Huayu Company	40%	40%	519,559,280.05	378,460,491.90	141,098,788.15	73,005,189.44	(3,206,031.55)
Jiangzhong Company	25%	25%	2,664,753,718.56	1,695,699,013.08	969,054,705.48	380,448,757.48	14,660,066.76
Nanjing Third Bridge Company	25%	25%	3,406,625,629.74	2,418,404,350.94	988,221,278.80	309,379,120.10	13,631,479.52
Yangmao Company	25%	25%	1,877,663,416.52	1,108,952,460.32	768,710,956.20	477,477,269.00	138,045,903.72
GZ W2 Company	25%	25%	2,633,197,992.17	1,764,045,113.07	869,152,879.10	272,898,249.66	26,112,034.90
Guangyun Company	30%	30%	1,266,300,107.89	713,828,076.69	552,472,031.20	237,297,278.31	55,904,927.13
			14,567,453,892.50	9,744,541,808.99	4,822,912,083.51	2,322,837,591.74	413,987,886.23

5 Notes to the consolidated financial statements (continued)

(7) Investment properties

	Car parking spaces
Cost	
31 December 2010 and 31 December 2011	18,180,000.00
Accumulated amortisation	
31 December 2010	(1,199,375.00)
Current year additions	(575,700.00)
31 December 2011	(1,775,075.00)
Net book value	
31 December 2011	16,404,925.00
31 December 2010	16,980,625.00

In 2011, the investment properties generated lease income of RMB2,114,257.00 (2010: RMB1,971,985.00) and incurred direct expenditures of RMB1,247,253.63 (2010: RMB1,155,593.18).

As at 31 December 2011, no provision for impairment loss of investment properties was required (31 December 2010: nil).

5 Notes to the consolidated financial statements (continued)

(8) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
Cost					
31 December 2010	577,860,446.96	819,660,087.72	26,631,788.19	51,377,159.60	1,475,529,482.47
Transfers from construction in progress in current year (Note 5(9))	3,303,845.00	239,849,850.06	-	-	243,153,695.06
Other additions in current year	31,672,847.50	694,725.48	6,877,008.89	3,990,975.72	43,235,557.59
Current year reductions	(835,803.56)	(29,280.00)	(3,574,954.00)	(1,231,994.24)	(5,672,031.80)
31 December 2011	612,001,335.90	1,060,175,383.26	29,933,843.08	54,136,141.08	1,756,246,703.32
Accumulated depreciation					
31 December 2010	96,934,543.91	292,978,479.52	15,826,672.65	27,211,887.39	432,951,583.47
Current year additions	21,485,103.36	79,994,604.16	3,498,440.62	7,223,521.11	112,201,669.25
Current year reductions	(809,624.46)	(24,151.78)	(2,452,514.31)	(967,326.30)	(4,253,616.85)
31 December 2011	117,610,022.81	372,948,931.90	16,872,598.96	33,468,082.20	540,899,635.87
Net book value					
31 December 2011	494,391,313.09	687,226,451.36	13,061,244.12	20,668,058.88	1,215,347,067.45
31 December 2010	480,925,903.05	526,681,608.20	10,805,115.54	24,165,272.21	1,042,577,899.00

As at 31 December 2011, the Group has buildings with net book value of RMB354,993,137.23 (cost: RMB463,211,448.83) lack certificates of ownership (31 December 2010: net book value of RMB358,190,402.21, cost of RMB451,871,158.53). As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In 2011, depreciation amounting to RMB105,246,798.46 (2010: RMB96,935,890.20) and RMB6,954,870.79 (2010: RMB7,333,715.26) has been charged into costs of services and general and administrative expenses, respectively. As at 31 December 2011, no provision for impairment of fixed assets is required (31 December 2010: nil).

5 Notes to the consolidated financial statements (continued)

(9) Construction in progress

Name	Budget amount	31 December 2010	Current year additions	Transfer to fixed assets	31 December 2011	Source of funds	% contribution in budget of current year	Progress of construction
Qinglian Expressway (Liannan Section)	66 million	38,250,155.33	28,139,844.67	(66,390,000.00)	-	Borrowings and self-owned funds	43%	Completed
Monitoring projects of expressway lightening	150 million	-	149,956,480.00	(149,956,480.00)	-	Self-owned funds	100%	Completed
Expansion project of Qinglian Expressway's toll road station	86 million	-	24,764,993.79	-	24,764,993.79	Self-owned funds	29%	In progress
Project of central isolation area and ect. of Wuhuang Expressway	23 million	5,300,132.80	16,431,910.34	(21,732,043.14)	-	Self-owned funds	71%	Completed
Billboard and light box projects	10 million	2,096,466.83	2,696,794.00	(3,220,157.00)	1,573,103.83	Self-owned funds	27%	In progress
Others	*	1,687,391.69	2,178,623.40	(1,855,014.92)	2,011,000.17	Self-owned funds	*	In progress
Total		47,334,146.65	224,168,646.20	(243,153,695.06)	28,349,097.79			

* The budgets of these projects were not disclosed as the amounts are not material.

As at 31 December 2011, no provision for impairment of construction in progress was required (31 December 2010: nil).

5 Notes to the consolidated financial statements (continued)

(10) Intangible assets

	Cost	31 December 2010	Current year addtions	Current year amortisation	31 December 2011	Accumulated amortisation
Concession intangible assets	21,514,797,841.30	19,029,035,370.90	464,847,796.54	(584,293,653.01)	18,909,589,514.43	(2,605,208,326.87)
- Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	596,715,749.95	-	(40,555,624.14)	556,160,125.81	(287,508,426.42)
- Yanba Expressway	1,321,937,644.13	1,220,940,098.18	-	(31,433,044.36)	1,189,507,053.82	(132,430,590.31)
- Yanpai Expressway	910,532,308.18	784,332,703.80	-	(37,554,912.19)	746,777,791.61	(163,754,516.57)
- Nanguang Expressway*	2,675,390,800.00	2,557,703,420.48	49,723,696.00	(41,060,118.80)	2,566,366,997.68	(109,023,802.32)
- Meiguan Expressway	1,245,100,798.49	771,802,243.32	121,382,001.71	(45,962,629.40)	847,221,615.63	(397,879,182.86)
- Qinglian Expressway *	9,340,188,385.65	8,749,931,426.73	269,524,500.00	(124,041,638.14)	8,895,414,288.59	(444,774,097.06)
- National Highway No. 107 (Qinglian Section)*	512,997,570.61	285,192,141.02	-	(14,861,520.97)	270,330,620.05	(242,666,950.56)
- Outer Ring Expressway	46,813,957.82	22,596,358.99	24,217,598.83	-	46,813,957.82	-
- Wuhuang Expressway	1,523,192,561.64	1,141,595,661.49	-	(90,070,721.84)	1,051,524,939.65	(471,667,621.99)
- Shenzhen Airport-Heao Expressway (Eastern Section)	3,094,975,262.55	2,898,225,566.94	-	(158,753,443.17)	2,739,472,123.77	(355,503,138.78)
Office software	1,854,820.00	394,316.67	1,403,820.00	(138,797.12)	1,659,339.55	(195,480.45)
Billboard land use rights	76,025,138.71	8,370,649.67	57,320,000.00	(14,354,782.72)	51,335,866.95	(24,689,271.76)
Total	21,592,677,800.01	19,037,800,337.24	523,571,616.54	(598,787,232.85)	18,962,584,720.93	(2,630,093,079.08)

* The pledge information relating to the concession intangible asset of Nanguang Expressway is set out in Note 5(23)(a); the pledge information relating to the concession intangible assets of Qinglian Expressway and National Highway No. 107 (Qinglian Section) is set out in Note 5(22)(a).

In 2011, the amortisation of intangible assets which also recorded in income statement was RMB598,787,232.85 (2010: RMB548,144,310.30).

5 Notes to the consolidated financial statements (continued)

(10) Intangible assets (continued)

As at 31 December 2011, the borrowing costs capitalised in intangible assets are analysed as follows:

	Accumulated borrowing costs capitalised	Including: borrowing costs capitalised in current year	Capitalisation rate in current year
Reconstruction and expansion of Meiguan Expressway	559,317.21	559,317.21	5.85%
Qinglian Expressway (Liannan Section)	27,375,119.64	2,403,086.00	5.37%
Total	27,934,436.85	2,962,403.21	

(11) **Deferred tax assets and deferred tax liabilities**

(a) Deferred tax assets without taking into consideration the offsetting of balances

	31 December 2011		31 December 2010	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provisions for maintenance and resurfacing of the toll roads (i)	170,059,433.96	680,237,735.84	226,316,787.99	905,267,151.75
Compensation provided by concession grantors (ii)	23,759,742.38	94,224,324.67	24,359,359.18	96,722,728.01
Deductible tax losses	44,000,882.53	176,003,530.12	-	-
Payroll accrued but not paid	1,475,634.30	6,707,428.64	1,475,634.30	6,707,428.64
Other	1,858,442.18	7,433,768.72	2,024,776.29	8,099,105.16
	241,154,135.35	964,606,787.99	254,176,557.76	1,016,796,413.56

(i) A deferred tax asset was recognised based on the temporary difference generated between the tax base and accounting base of provisions for maintenance/resurfacing obligations of toll roads.

(ii) A deferred tax asset was recognised based on the temporary difference generated between the tax base and book value of compensation provided by concession grantors in prior years.

(iii) In 2011, Qinglian Company estimated its profit against which the deductible tax losses incurred in prior year can be utilised in the future. Accordingly, a deferred tax asset on deductible tax losses was recognised.

5 Notes to the consolidated financial statements (continued)

(11) Deferred tax assets and deferred tax liabilities (continued)

(b) Deferred tax liabilities without taking into consideration the offsetting of balances

	31 December 2011		31 December 2010	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
The amortisation of concession intangible assets (i)	62,305,460.74	249,221,842.96	65,106,699.47	260,426,797.88
Business combinations involving enterprises not under common control (ii)				
- Qinglian Company	353,231,952.66	1,483,893,987.45	355,768,370.07	1,504,185,326.73
- Airport-Heao Eastern Company	479,075,606.97	1,916,302,427.89	506,836,110.03	2,027,344,440.12
- JEL Company	196,931,202.36	788,213,399.88	212,673,525.64	854,410,328.01
Convertible bonds (iii)	27,708,993.49	121,968,004.27	41,677,677.49	180,170,854.27
	1,119,253,216.22	4,559,599,662.45	1,182,062,382.70	4,826,537,747.01

(i) The deferred tax liability was recognised based on the temporary difference generated between the tax base (straight line basis) and accounting base (traffic volume basis) of the amortisation of toll road concession intangible assts.

(ii) In 2007, the Company acquired an additional 20.09% equity interest of Qinglian Company and converted it to a subsidiary of the Company. A deferred tax liability was recognised on temporary difference between the fair values of related identifiable assets and liabilities acquired and their book values.

On 30 September 2009, the Company acquired an additional 45% equity interest of Airport-Heao Eastern Company and converted it to a wholly owned subsidiary of the Company. A deferred tax liability was recognised on temporary difference between the fair values of related identifiable assets and liabilities acquired and their book values.

As mentioned in Note 4(3), as at 1 July 2011, the Group obtained the control over JEL Company and included it into the consolidation scope. A deferred tax liability was recognised on temporary difference between JEL Company's fair values of related identifiable assets and liabilities acquired by Mei Wah Company in August 2005 and their book values.

(iii) A deferred tax liability was recognised on temporary difference between the issued amount of the convertible bonds and bonds' liability component initially recognised on the inception date.

(c) Deductible tax losses that are not recognised as deferred tax assets are analysed as follows:

	31 December 2011	31 December 2010
Deductible tax losses	211,330,603.95	195,662,177.88

5 Notes to the consolidated financial statements (continued)

(11) Deferred tax assets and deferred tax liabilities (continued)

(d) Deductible tax losses that are not recognised as deferred tax assets will be due in the following years:

	31 December 2011	31 December 2010
Year 2012	12,153,566.25	12,153,566.25
Year 2013	26,718,082.61	26,718,082.61
Year 2014	30,139,513.95	30,139,513.95
Year 2015	126,651,015.07	126,651,015.07
Year 2016	15,668,426.07	-
	211,330,603.95	195,662,177.88

(e) Offsetting of balances of deferred tax assets and liabilities

	31 December 2011	31 December 2010
Deferred tax assets	(181,004,937.40)	(148,658,996.68)
Deferred tax liabilities	181,004,937.40	148,658,996.68

The net values of deferred assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	31 December 2011		31 December 2010	
	Net values of deferred tax assets/liabilities	Temporary differences after offsetting	Net values of deferred tax assets/liabilities	Temporary differences after offsetting
Deferred tax assets	60,149,197.95	229,455,008.08	105,517,561.08	422,160,427.05
Deferred tax liabilities	938,248,278.82	3,365,537,866.38	1,033,403,386.02	4,231,901,760.50

(12) Short-term borrowings

	31 December 2011	31 December 2010
Unsecured	-	370,074,600.00
Pledged	137,819,000.00	364,185,200.00
	137,819,000.00	734,259,800.00

5 Notes to the consolidated financial statements (continued)

(12) Short-term borrowings (continued)

(a) As at 31 December 2011, the Group's short-term pledged borrowings are analysed as follows:

	Amount	Interest rate per annum
Industrial and Commercial Bank of China (Asia)	137,819,000.00	HIBOR+250BPS

The borrowing granted by Industrial and Commercial Bank of China (Asia) amounting to HKD170,000,000.00 (equivalent to RMB137,819,000.00) (31 December 2010: HKD112,000,000.00 (equivalent to RMB95,300,800.00)) was secured by 55% equity interest of JEL Company held by Mei Wah Company.

(b) As at 31 December 2011, there were no short-term borrowings past due but have not been repaid (31 December 2010: nil).

(c) As at 31 December 2011, the weighted average interest rate of short-term borrowings was 3.66% per annum (31 December 2010: 3.31 %).

(13) Accounts payable

	31 December 2011	31 December 2010
Payables for construction projects and quality deposits	906,979,801.44	945,449,947.00

As at 31 December 2011, accounts payable with ageing over 1 year amounting to RMB714,019,173.08 (31 December 2010: RMB604,218,337.05), mainly represent payables in relation to construction projects, quality deposits and purchase of materials. The payables have not been settled since the final audit for projects are not completed.

As at 31 December 2011 and 31 December 2010, there were neither advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company nor payables due to related parties.

As at 31 December 2011 and 31 December 2010, all accounts payable were denominated in RMB.

The ageing of accounts payable based on their recording dates is analysed as follows:

	31 December 2011	31 December 2010
Within 1 year (including 1 year)	192,960,628.36	341,231,609.95
Over 1 year	714,019,173.08	604,218,337.05
	906,979,801.44	945,449,947.00

5 Notes to the consolidated financial statements (continued)

(14) Advances from customers

	31 December 2011	31 December 2010
Advances from advertising customers	23,128,879.00	13,421,844.00
Others	958,001.00	750,000.00
	24,086,880.00	14,171,844.00

As at 31 December 2011 and 31 December 2010, there were neither advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company nor advances from related parties.

As at 31 December 2011 and 31 December 2010, all advances from customers were denominated in RMB.

(15) Employee benefits payable

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Wages and salaries, bonuses, allowances and subsidies	58,299,389.31	167,707,629.09	(156,967,341.02)	69,039,677.38
Staff welfare	-	8,365,208.00	(8,365,208.00)	-
Social security contributions	779,083.83	14,772,508.92	(15,427,006.88)	124,585.87
Including: Medical insurance	198,458.91	3,763,055.92	(3,929,778.61)	31,736.22
Basic pensions	473,734.79	8,982,668.03	(9,380,646.32)	75,756.50
Unemployment insurance	55,553.23	1,053,366.22	(1,100,035.75)	8,883.70
Work injury insurance	25,594.73	485,311.55	(506,813.34)	4,092.94
Maternity insurance	25,742.17	488,107.20	(509,732.86)	4,116.51
Housing funds	-	27,242,633.31	(27,122,709.21)	119,924.10
Labor union funds and employee education funds	3,094,857.46	4,078,399.03	(3,569,302.01)	3,603,954.48
Others	875,869.01	6,691,556.15	(6,689,924.56)	877,500.60
	63,049,199.61	228,857,934.50	(218,141,491.68)	73,765,642.43

As at 31 December 2011, there were no overdue employee benefits payable. About 89.83% of the balance is estimated to be paid or utilised in 2012, while the rest 10.17% of the balance is expected to be paid when related conditions are met.

5 Notes to the consolidated financial statements (continued)

(16) Taxes payable

	31 December 2011	31 December 2010
Corporate income tax payable	178,307,324.88	159,546,314.34
Business tax payable	15,837,595.13	9,141,135.47
Educational surcharge payable	921,119.60	13,195.08
City maintenance and construction tax payable	1,234,367.59	635,938.41
Others	2,849,435.51	1,448,677.32
	199,149,842.71	170,785,260.62

(17) Interest payable

	31 December 2011	31 December 2010
Interest of corporate bonds	57,292,239.11	18,333,335.00
Interest of medium-term notes	24,542,136.98	20,495,671.23
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	10,769,672.91	9,990,957.99
Interest of convertible bonds	3,410,959.00	3,410,959.00
Interest of short-term borrowings	723,058.52	4,684,135.06
	96,738,066.52	56,915,058.28

(18) Dividends payable

	31 December 2011	31 December 2010
Dividends payable to Flywheel Investments Limited, one of minority shareholders	7,829,353.57	-

(19) Other payables

		31 December 2011	31 December 2010
Guaranteed deposits for construction projects contracts or pitches	(a)	101,821,090.17	203,734,962.99
Payable related to routine maintenance for roads		64,823,786.75	45,549,461.92
Advance from associates		52,044,681.47	46,500,000.00
Payables to Coastal Company	(b)	-	40,793,854.01
Project funds retained for construction management contracts	(c)	7,716,867.32	21,962,002.29
Mechanical and electrical costs payable		2,259,672.96	7,902,261.75
Others		63,970,841.95	19,640,417.17
		292,636,940.62	386,082,960.13

(a) Guaranteed deposits for construction projects and pitches are deposits received from the contractors as guarantees for pitches and performance commitment relating to construction projects of Qinglian Expressway, Nanguang Expressway and Nanping Freeway (Phase II) Project (‘Nanping (Phase II) Project’).

5 Notes to the consolidated financial statements (continued)

(19) **Other payables (continued)**

(b) On 6 November 2009, SIHCL signed an 'operation and management entrustment agreement' with the Company and entrusted the Company to operate and manage its wholly owned subsidiary, Coastal Company. During the entrustment period, the Company operates and manages Coastal Company in accordance with the agreement to complete the construction and operation of the Coastal Project. The other payable balance represented total funds received from Coastal Company less advances made for Coastal Project. As at 31 December 2011, a net debit balance of RMB42,880,964.26 was reflected in the accounts receivable, which represented RMB77,271,316.58 of project management services due from Coastal Company offsetting with other payable of RMB34,390,352.32 (Note 5(2)(d)).

(c) The Company was entrusted by Highway Bureau of Longgang Distinct and Municipal Bureau for Urban Administration of Baoan Distinct for the management of the construction of Hengping Project and Shelter-screen Project of Airport-Heao Expressway (Dalang Section), respectively. Both of the projects are funded by Shenzhen Government. The related project payments are made by the Company through special deposit accounts opened for these projects in accordance with relevant provision in the construction management contracts.

As at 31 December 2011, project funds retained in the special deposit accounts amounting to RMB7,716,867.32 (31 December 2010: RMB21,962,002.29). They are classified as restricted bank balance in cash flow statements.

(d) As at 31 December 2011, other payables aged over 1 year with carrying amount of RMB101,049,009.61 are analysed as follows (31 December 2010: RMB87,499,059.08):

	31 December 2011	31 December 2010	Reason for unsettlement	Paid as to the reporting date
Advance from associates	39,544,681.47	46,500,000.00	Distribution in advance	-
Guaranteed deposits for construction projects or pitches	50,954,174.38	32,761,354.40	Completion audit not completed	6,643,635.06
Payable for daily maintenance of roads	-	596,259.55	Completion audit not completed	-
Others	10,550,153.76	7,591,445.13	Completion audit not completed	600,000.00
	101,049,009.61	87,449,059.08		7,243,635.06

(e) Other payables to related parties:

	31 December 2011	31 December 2010
Nanjing Third Bridge Company	39,544,681.47	46,500,000.00
Coastal Company	-	40,793,854.01
GZ W2 Company	12,500,000.00	-
United Electronic Company	1,388,420.97	1,702,071.44
Baotong Company	1,003,160.85	-
	54,436,263.29	88,995,925.45

As at 31 December 2011, there were no other payables to shareholders holding more than 5% (including 5%) of the voting rights of the Company.

5 Notes to the consolidated financial statements (continued)

(19) Other payables (continued)

(f) As at 31 December 2011 and 31 December 2010, all other payables were denominated in RMB.

(20) Provisions

	31 December 2010	Current year movement	31 December 2011
Provisions for maintenance/resurfacing obligations	905,267,151.75	(225,029,416.05)	680,237,735.70
Less: current portion	(22,832,386.00)	(301,295,432.17)	(324,127,818.17)
	882,434,765.75	(526,324,848.22)	356,109,917.53

(21) Current portion of non-current liabilities

	31 December 2011	31 December 2010
Current portion of long-term borrowings		
Including: Guaranteed	-	1,479,643.63
Unsecured (a)	336,053,600.00	171,151,700.00
Pledged (b)	151,280,000.00	-
	487,333,600.00	172,631,343.63
Current portion of provisions (Note 5(20))	324,127,818.17	22,832,386.00
Current portion of hedging instruments (Note 5(24))	935,337.35	-
	812,396,755.52	195,463,729.63

(a) Details of current portion of long-term unsecured borrowings are set out as follows:

	Beginning date	Termination date	Interest rate	Currency	31 December 2011 Amount in foreign currencies	31 December 2011 Amount in RMB
Shenzhen Anlian Branch of China Merchants Bank	2010.9.17	2012.9.17	3.56%	HKD	227,000,000.00	184,028,900.00
Shenzhen Shangbu Branch of Guangdong Development Bank	2010.2.8	2012.6.11	5.1%	RMB		80,000,000.00
Shenzhen Shangbu Branch of Guangdong Development Bank	2010.3.1	2012.6.11	5.1%	RMB		25,000,000.00
Shenzhen Shangbu Branch of Bank of Communications	2010.9.19	2012.12.26	5.985%	RMB		30,000,000.00
Shenzhen Shangbu Branch of China Construction Bank	2010.9.17	2012.9.17	HIBOR+150BPS	HKD	21,000,000.00	17,024,700.00
						336,053,600.00

(b) Current portion of long-term unsecured borrowings are syndicated borrowings for Qinglian Expressway projects amounting to RMB151,280,000.00 (Note 5(22)(a)).

5 Notes to the consolidated financial statements (continued)

(22) Long-term borrowings

	31 December 2011	31 December 2010
Pledged (a)	4,941,610,808.00	4,477,589,000.00
Unsecured (b)	957,019,900.00	1,279,794,500.00
	5,898,630,708.00	5,757,383,500.00

(a) As at 31 December 2011, details of long-term secured borrowings are set out as follows:

	Interest rate	Currency	31 December 2011 Amount in foreign currencies	Amount in RMB	Pledge details
Syndicated borrowings	6.12%	RMB		4,106,363,808.00	Operating rights of National Highway No. 107 (Qinglian Section) and Qinglian Expressway
Industrial and Commercial Bank of China	5.508%	RMB		665,000,000.00	40% equity interest of Qinglong Company held by the Company
Industrial and Commercial Bank of China (Asia)	HIBOR+260BPS	HKD	210,000,000.00	170,247,000.00	55% equity interest of JEL Company held by Mei Wah Company
				4,941,610,808.00	

(b) The unsecured long-term borrowings comprise RMB667,600,000.00 and HKD357,000,000.00 (equivalent to RMB289,419,900.00) (31 December 2010: RMB765,000,000.00 and HKD605,000,000.00 (equivalent to RMB514,794,500.00)). The interest rates of the unsecured long-term borrowings for the year ended 31 December 2011 range from 1.79% to 6.65% per annum (2010: from 1.76% to 5.13%).

(c) The five largest long-term borrowings:

	Starting date	Ending date	Currency	Interest rate	31 December 2011 Amount in foreign currency	31 December 2011 Amount in RMB	31 December 2010 Amount in foreign currency	31 December 2010 Amount in RMB
Syndicated borrowings (part A)	2006.9.30	2024.6.20	RMB	6.12%		2,004,420,000.00		2,099,900,000.00
Syndicated borrowings (part B)	2006.9.30	2024.6.20	RMB	6.12%		1,534,000,000.00		1,534,000,000.00
Industrial and Commercial Bank of China	2006.3.15	2021.3.12	RMB	5.508%		665,000,000.00		665,000,000.00
Syndicated borrowings (part C)	2011.1.6	2027.1.6	RMB	6.345%		567,943,808.00		-
Industrial and Commercial Bank of China	2009.9.17	2014.9.17	HKD	HIBOR+ 150BPS	357,000,000.00	289,419,900.00	378,000,000.00	321,640,200.00
						5,060,783,708.00		4,620,540,200.00

As at 31 December 2011, the weighted average interest rate of long-term borrowings was 5.84% per annum (31 December 2010: 5.22%).

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable

	31 December 2010	Current year issuance	Current year transaction costs	Amortisation in current year	31 December 2011
Convertible bonds	1,316,165,506.18	-	-	63,539,256.00	1,379,704,762.18
Corporate bonds	792,260,553.47	1,500,000,000.00	(19,970,000.00)	4,130,653.64	2,276,421,207.11
Medium-term notes	699,497,690.46	-	-	26,057.08	699,523,747.54
	2,807,923,750.11	1,500,000,000.00	(19,970,000.00)	67,695,966.72	4,355,649,716.83

Related information is as follows:

	Par value	Date of issuance	Maturity	Issued amount	Coupon rate
Convertible bonds (a)	1,500,000,000.00	9 October 2007	6 years	1,500,000,000.00	1%
Corporate bonds (b)	800,000,000.00	31 July 2007	15 years	800,000,000.00	5.5%
Corporate bonds (b)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	6.0%
Medium-term notes (c)	400,000,000.00	15 March 2010	3 years	400,000,000.00	4.47%
Medium-term notes (c)	300,000,000.00	26 March 2010	3 years	300,000,000.00	4.47%

The interests accrued in the balance are analysed as follows:

	31 December 2010	Current year accrued	Current year paid	31 December 2011
Convertible bonds	3,410,959.00	15,000,000.00	(15,000,000.00)	3,410,959.00
Corporate bonds	18,333,335.00	82,958,904.11	(44,000,000.00)	57,292,239.11
Medium-term notes	20,495,671.23	30,086,465.75	(26,040,000.00)	24,542,136.98
	42,239,965.23	128,045,369.86	(85,040,000.00)	85,245,335.09

(a) Convertible bonds

The interests of the convertible bonds are repayable once a year (on 9 October), and the principal is repayable upon maturity together with the final installment of interest.

The convertible bonds is guaranteed by the Shenzhen Branch of Agricultural Bank of China, which is in turn secured by the Company with 47.3% of operating right of Nanguang Expressway (Note 5(10)). The pledge expired on the date of 9 April 2014.

The fair value of liability component of convertible bonds is determined based on market interest rate of comparable bonds without warrants at issuance date, i.e 5.5%. The issued amount of the convertible bonds after deduction of fair value of liability component, which represents fair value of the conversion option, was included in capital surplus.

5 Notes to the consolidated financial statements (continued)

(23) **Bonds payable (continued)**

(a) Convertible bonds (continued)

As at 31 December 2011, net book value of liability component of the convertible bonds is set out as follows:

Principal of convertible bonds	1,500,000,000.00
Equity component recognised at issuance date	(337,198,296.00)
Less: transaction costs attributable to liability component	(32,018,323.14)
Fair value of liability component at issuance date	1,130,783,380.86
Accumulated amortisation from issuance date to 31 December 2011	248,921,381.32
Net book value as at 31 December 2011	1,379,704,762.18

As at 31 December 2011, the fair value of convertible bonds approximated RMB1,358,302,693.37 which was calculated using cash flows discounted method based on a market interest rate of comparable non-convertible bond at 4.4% per annum

(b) Corporate bonds

The Company issued long-term corporate bonds with principal amount of RMB800,000,000 bearing a term of 15 years and interest of 5.5% per annum on 31 July 2007 in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by National Development & Reform Commission. Interest is repayable annually and the principal is repayable in full upon maturity. The principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company. As at 31 December 2011, the fair value of corporate bonds approximated RMB793,078,155.83 which was calculated using cash flows discounted method based on market interest rate of comparable corporate bond at 5.24% per annum.

Upon the approval of Zheng Jian Xu Ke [2011] No.1131 issued by China Securities Regulatory Commission, the Company issued long-term corporate bonds with principal amount of RMB1,500,000,000 on 2 August 2011. The bonds bear interest of 6.0% per annum, with the interest repayable annually and the principal repayable in full upon maturity. The term of the bonds is five-year. At the end of the third year, the Company has an option to increase the coupon interest of the bonds and the bondholders have put options to sell the bonds back to the Company. As at 31 December 2011, the fair value of the bonds approximated to RMB1,443,163,820.06 which was calculated using discounted cash flow method and market interest rate of comparable corporate bond at 6.21% per annum.

(c) Medium-term notes

In March 2010, the Company issued medium-term notes with principal amount of RMB700 million. The notes bear a term of three years and interest rate of 3.72% per annum for the first year and 4.47% per annum from the second year.

The fair values of medium-term notes approximated to their carrying amounts as the comparable market rate is close to the coupon rate and the effect of discounting is not significant.

5 Notes to the consolidated financial statements (continued)

(24) Hedging instruments

		31 December 2011	31 December 2010
Cash flow hedges :			
CNY/HKD cross currency interest rate swap	(a)	11,364,107.77	24,132,708.82
Forward foreign exchange contracts	(b)	935,337.35	1,563,373.50
		12,299,445.12	25,696,082.32
Less: Current portion of forward foreign exchange contracts (Note 5(21))		(935,337.35)	-
		11,364,107.77	25,696,082.32

(a) CNY/HKD cross currency and interest rate swap

The Company uses a CNY/HKD cross currency interest rate swap contract to hedge its interest rate risk and exchange rate risk of one of its variable-rate foreign currency loans with a notional principal amount of HKD420,000,000 (31 December 2010: HKD420,000,000). The payment term for this loan is: HKD21,000,000 is repayable each year in September from 2010 to 2013, HKD336,000,000 is repayable in September 2014. The notional principal amount of the outstanding CNY/HKD cross currency interest rate swap contract as at 31 December 2011 was HKD378,000,000 (31 December 2010: HKD399,000,000). Through this arrangement, the Company is able to pay an annually fixed interest at 1.8% per annum and to repay the loan's principal at a fixed HKD/RMB exchange rate agreed in the contract while the original annual floating interest expense (3-month HIBOR+150BPS) and the floating principal payments (at HKD/RMB exchange spot rate) attached to the loan is offset by the CNY/HKD cross currency interest rate swap. Such a swap is settled on a quarterly basis from June 2010 to September 2014.

(b) Forward foreign exchange contracts

The Company uses a forward foreign exchange contract to hedge its exchange rate risk against one of its foreign currency loans with a notional principal amount of HKD227,000,000 (31 December 2010: HKD227,000,000). The loan will become due in September 2012. The notional principal amount of the outstanding forward foreign exchange contract as at 31 December 2011 was HKD227,000,000 (31 December 2010: HKD227,000,000). Through this arrangement, the Company is able to pay fixed amount of principal in RMB at the contractual forward HKD/RMB exchange rate and receive foreign currency principal. Such forward foreign exchange contract will be settled in net amount in September 2012.

5 Notes to the consolidated financial statements (continued)

(25) Share capital

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Par value RMB1 per share				
Shares not subject to trading restrictions -				
State-owned shares	654,780,000.00	-	-	654,780,000.00
Domestic legal person shares	560,620,000.00	-	-	560,620,000.00
RMB ordinary shares	217,870,326.00	-	-	217,870,326.00
Oversea listed foreign shares	747,500,000.00	-	-	747,500,000.00
Total share capital	2,180,770,326.00	-	-	2,180,770,326.00

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Par value RMB1 per share				
Shares not subject to trading restrictions -				
State-owned shares	654,780,000.00	-	-	654,780,000.00
Domestic legal person shares	560,620,000.00	-	-	560,620,000.00
RMB ordinary shares	217,870,326.00	-	-	217,870,326.00
Oversea listed foreign shares	747,500,000.00	-	-	747,500,000.00
Total share capital	2,180,770,326.00	-	-	2,180,770,326.00

(26) Capital surplus

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital surplus－				
Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
Cash flow hedges-after tax	(12,777,033.26)	(13,396,637.20)	42,763,899.45	16,590,228.99
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	-	-	65,760.27
	3,155,178,649.17	(13,396,637.20)	42,763,899.45	3,184,545,911.42

	31 December 2009	Current year additions	Current year reductions	31 December 2010
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital surplus-				
Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
Cash flow hedges-after tax	-	(25,696,082.32)	12,919,049.06	(12,777,033.26)
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	-	-	65,760.27
	3,167,955,682.43	(25,696,082.32)	12,919,049.06	3,155,178,649.17

5 Notes to the consolidated financial statements (continued)

(27) Surplus reserve

	31 December 2010	Current year additions	31 December 2011
Statutory surplus reserve	993,041,315.16	88,462,303.26	1,081,503,618.42
Discretionary surplus reserve	453,391,330.06	-	453,391,330.06
	1,446,432,645.22	88,462,303.26	1,534,894,948.48

	31 December 2009	Current year additions	31 December 2010
Statutory surplus reserve	918,933,422.78	74,107,892.38	993,041,315.16
Discretionary surplus reserve	453,391,330.06	-	453,391,330.06
	1,372,324,752.84	74,107,892.38	1,446,432,645.22

In accordance with Chinese Companies Law, the Company's Articles of Association and the resolution of Board of Directors, companies should appropriate 10% of net profit for the year to the statutory surplus reserve, and companies can cease appropriation when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. According to a resolution at the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB88,462,303.26 for the year 2011, (2010: 10% of the net profit for year, amounting to RMB74,107,892.38) to the statutory surplus reserve.

The Company appropriate discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company does not appropriate any surplus reserve in current year (2010: nil).

(28) Undistributed profits

	2011		2010	
	Amount	Appropriation/ distribution ratio	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the year (audited)	1,866,445,317.49	-	1,456,439,118.37	-
Business combination under common control	-	-	-	-
Undistributed profits at the beginning of the year (restated)	1,866,445,317.49	-	1,456,439,118.37	-
Add: Net profit attributable to equity holders of the Company in current year	875,146,104.56	-	745,806,530.62	-
Less: Appropriation for statutory surplus reserve	(88,462,303.26)	10.11%	(74,107,892.38)	9.94%
Appropriation for discretionary surplus reserve	-	-	-	-
Dividends	(348,923,252.16)	46.78%	(261,692,439.12)	42.55%
Undistributed profits at the end of the year	2,304,205,866.63		1,866,445,317.49	

As at 31 December 2011, included in the undistributed profits, RMB239,215,257.81 represents subsidiaries' surplus reserve attributable to the Company (31 December 2010: RMB211,883,146.52), including RMB27,264,329.78 that subsidiaries' surplus reserve appropriated in current year (2010: RMB27,098,255.93).

5 Notes to the consolidated financial statements (continued)

(28) Undistributed profits (continued)

In accordance with the resolution passed in the Annual General meeting on 26 May 2011, the Company proposed a cash dividend to all shareholders amounting to RMB348,923,252.16, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.16 per share. The cash dividend represents 46.78% of the net profit for the year ended 31 December 2010.

In accordance with the resolution passed in the Board of Directors' meeting dated on 28 March 2012, the Board of Directors proposed a cash dividend in the amount of RMB0.16 per share, amounting to RMB348,923,252.16 as calculated by total number of issued shares of 2,180,770,326 shares, which is pending for the approval in the shareholders' meeting (Note 10). The proposed cash dividend represents 39.87% of the net profit for the year ended 31 December 2011.

(29) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	31 December 2011	31 December 2010
Minority interest of Qinglian Company - Guangdong Cement Company Limited	713,004,087.03	686,274,322.31
Minority interest of JEL Company - Flywheel Investments Limited	520,133,968.62	638,821,659.04
Minority interest of Guishen Company - CCCC-SHB Fifth Engineering Co., Ltd.	59,832,582.00	-
	1,292,970,637.65	1,325,095,981.35

(30) Revenue and cost of services

	2011	2010
Revenue from main business (a)	2,715,561,596.63	2,615,465,050.70
Revenue from other businesses (b)	236,057,460.35	149,835,336.33
	2,951,619,056.98	2,765,300,387.03
Cost from main business (a)	1,100,092,861.01	1,256,279,669.68
Cost from other businesses (b)	82,440,716.15	60,076,216.18
	1,182,533,577.16	1,316,355,885.86

(a) Revenue and cost of services from main business

	2011		2010	
	Revenue of main business	Cost of main business	Revenue of main business	Cost of main business
Revenue from toll road	2,715,561,596.63	1,100,092,861.01	2,615,465,050.70	1,256,279,669.68

The Group's revenue from toll road is generated from Guangdong Province and Hubei Province.

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services (continued)

(b) Revenue and cost of services from other businesses

	2011		2010	
	Revenue from other businesses	Cost of other businesses	Revenue from other businesses	Cost of other businesses
Management services revenue (i)	149,371,008.88	35,387,177.66	90,934,754.06	34,020,073.96
Advertising services revenue	78,759,499.00	45,110,682.49	48,134,086.40	23,723,684.54
Other revenue	7,926,952.47	1,942,856.00	10,766,495.87	2,332,457.68
	236,057,460.35	82,440,716.15	149,835,336.33	60,076,216.18

(i) Management services revenue

The Company was engaged by the local government authorities to manage the construction of several toll road construction projects, namely the Nanping (Phase I) Project, Nanping (Phase II) Project , Hengping Project, the Wutong Mountain Avenue (Supplementary Road) and Airport-Heao Expressway Yantian Subsidiary Road Checkpoint Station Project ('Wutong Mountain Project'), the renovation project of the Shenyun-North Ring Interchange ('Shenyun Project'), the Longhua expanding section of Longda Expressway ('Longhua Extension')(Note 7(5)(a)(ii)), Coastal Project, the construction project of municipal facilities of Dalang Section of Longda Expressway ('Longda Municipal Section') and Longli BT Project. In return, the Company is entitled to receive management services income. Nanping (Phase I) Project, Hengping Project and Wutong Mountain Project have been completed in prior years. In current year, the Group mainly managed the construction of Nanping (Phase II) Project, Shenyun Project, Longhua Extension, Coastal Project, Longda Municipal Section and Longli BT Project. The management services income is determined based on the cost savings achieved in managing these construction management projects according to the provisions of the relevant contracts. For Nanping (Phase II) Project, Shenyun Project, Longhua Extension and Longda Municipal Section, the Company is solely granted all the cost savings in construction in case the savings does not exceed by 2.5% of the total budgeted contract costs; while the Company would share 20% of any savings exceeding 2.5% of the total budgeted contract costs. For Coastal Project, the management service revenue is 1.5% of the construction budget while the Company would share 20% of any savings of the total budgeted contract costs. For Longli BT Project, the Company would grant return on capital costs and return on investments. Return on capital costs is calculated by 8% of funds advanced to the project by the Company while return on investments is calculated by 5% of funds advanced to the project plus return on capital costs.

According to the related management services contracts, the Company undertakes to bear cost overruns for the above projects. For Longda Municipal Section Project, Nanping (Phase II) Project and Shenyun Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For Coastal Project, the Company is obliged to bear 20% of the cost overruns incurred in construction as compared to the original budget. Nevertheless, the outflow of resources arising from expected cost overruns of these projects is considered remote by the Company, after taking into account the actual progress and the status of these projects.

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services (continued)

(b) Revenue and cost of services from other operation (continued)

(i) Management services revenue (continued)

On 28 December 2009, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage the 89.93% equity interests held in Shenzhen Longda Expressway Company Limited (‘Longda Company’). However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. In return for the services rendered, the Company is entitled to a management entrustment fee determined at the higher amount of an annual fee of RMB15,000,000.00, or at 8% of the annual audited net profit of Longda Company (but in any event shall not exceed RMB25,000,000.00). The management entrustment fee for the current year amounted to RMB22,014,011.40 (2010: RMB15,090,365.13).

In current year, the Company recognised construction management service revenue of Shenyun Project at RMB1,987,581.70 in accordance with the project audit results. The Company recognised construction management service revenue of Wutong Mountain Project at RMB16,369,330.82 according to the project audit results. The Company recognised construction management service revenue of the Coastal Project at RMB96,664,263.59 according to the percentage of completion of the project. For Nanping (Phase II) Project, Longhua Expending Project and Longda Municipal Section Project, as the outcome of the construction management services could not be reliably estimated though the costs incurred were expected to be fully recovered, the Group recognised construction management services income based on actual project management taxes and expenses incurred amounting to RMB11,640,219.00. For Longli BT Project, the Company recognised revenue amounting to RMB695,602.38 based on the project funds advanced by the Company.

(c) Revenue from the five largest customers of the Group

Regarding of the nature of the Group’s revenue, except for revenue from toll road, revenue from the five largest customers of the Group with an amount of RMB148,226,469.22 (2010: RMB93,511,992.85) accounted for 5.02% (2010: 3.38%) of the total revenue of the Group and is analysed below:

	Revenue	% of total revenue
Management service revenue of Coastal Project	96,664,263.59	3.27%
Management entrustment fees of Baotong Company	22,014,011.40	0.75%
Management service revenue of Wutong Mountain Project	16,369,330.82	0.55%
Management service revenue for Nanping (Phase II) Project	10,328,863.41	0.35%
Rental income from Petrochina Qingyuan Sales Company Limited	2,850,000.00	0.10%
	148,226,469.22	5.02%

5 Notes to the consolidated financial statements (continued)

(31) Business tax and surcharges

	2011	2010
Business tax	91,877,491.42	87,401,067.19
Construction fee for country culture development	1,154,529.57	1,380,732.82
Educational surcharge	4,643,503.07	1,887,651.70
City maintenance and construction tax	6,558,761.50	1,106,341.52
Others	1,037,946.12	513,659.15
	105,272,231.68	92,289,452.38

(32) General and administrative expenses

	2011	2010
Salary and wages	50,786,743.05	31,873,305.18
Depreciation	6,594,870.79	7,333,715.26
Expenses paid to stock exchange	4,498,219.13	2,448,083.66
Audit fees	4,004,280.00	3,400,000.00
Office management expenses	1,913,463.60	2,118,957.92
Others	19,954,351.09	15,153,990.38
	87,751,927.66	62,328,052.40

(33) Financial expenses - net

	2011	2010
Interest expense	547,417,783.86	481,548,874.84
Including: Interest expenses from borrowings	352,563,850.49	361,412,744.55
Interest expenses from bonds payable	197,816,336.58	142,839,999.33
Interest capitalisation	(2,962,403.21)	(22,703,869.04)
Time value of provision for maintenance/resurfacing obligations	50,918,285.96	46,495,905.04
Less：interest income	(16,348,773.60)	(14,772,223.08)
Exchange gains	(39,068,280.45)	(28,859,807.98)
Others	4,739,849.91	4,948,416.50
	547,658,865.68	489,361,165.32

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	2011		2010	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Borrowings and bonds payable wholly repayable within five years	80,789,711.63	153,148,182.94	99,957,665.20	98,171,845.69
Borrowings and bonds payable not wholly repayable within five years	271,774,138.86	44,668,153.64	261,455,079.35	44,668,153.64
	352,563,850.49	197,816,336.58	361,412,744.55	142,839,999.33

5 Notes to the consolidated financial statements (continued)

(34) Investment income

	2011	2010
Income from long-term equity investments in joint ventures under equity method	(2,237,501.98)	2,557,111.51
Income from long-term equity investments in associates under equity method	129,939,481.98	178,849,157.04
	127,701,980.00	181,406,268.55

There is no significant restriction on the remittance of investment income.

In 2011 and 2010, all of the Group's investment income was generated from non-listed investments.

Investees that contributed investment income for more than 5% of the Group's total profit, or the top five investees that contributed most investment income to the Group's total profit are set out as follows:

	2011	2010	Reason for current year fluctuation
Qinglong Company	63,516,542.50	95,172,599.94	Toll road revenue decreased while costs of services and financial expenses increased.
Yangmao Company	34,511,475.94	19,869,231.99	Toll road revenue increased.
Guangyun Company	16,771,478.14	9,731,929.69	Toll road revenue increased.
GZ W2 Company	6,528,008.72	21,510,567.78	A deferred tax asset was recognised on the deductible tax losses.
Jiangzhong Company	3,665,016.69	12,136,344.41	A deferred tax asset was recognised on the deductible tax losses.
	124,992,521.99	158,420,673.81	

(35) Non-operating income and non-operating expenses

(a) Non-operating income

	2011	2010	Amount recorded as non-recurring profit or loss in 2011
Bounty	1,000,000.00	800,000.00	1,000,000.00
Gain on disposal of fixed assets	81,690.00	5,829,307.94	81,690.00
Others	772,922.46	1,550,069.75	772,922.46
	1,854,612.46	8,179,377.69	1,854,612.46

5 Notes to the consolidated financial statements (continued)

(35) Non-operating income and non-operating expenses (continued)

(b) Non-operating expenses

	2011	2010	Amount recorded as non-recurring profit or loss in 2011
Donation	920,000.00	1,000,000.00	920,000.00
Loss on disposal of fixed assets	211,657.27	4,365,672.25	211,657.27
Others	212,220.02	336,936.11	212,220.02
	1,343,877.29	5,702,608.36	1,343,877.29

(36) Income tax expenses

	2011	2010
Current income tax calculated according to tax law and related regulations	286,864,135.46	287,369,493.27
Deferred income tax	(49,786,744.07)	(104,249,009.63)
	237,077,391.39	183,120,483.64

The reconciliation from income tax calculated based on the applicable tax rates and profit before tax presented in the consolidated financial statements to the income tax expense is listed below:

	2011	2010
Profit before tax	1,156,615,169.97	988,848,868.95
Income tax expenses calculated at applicable tax rate of 24% (2010: 22%)	277,587,640.79	217,546,751.17
Effect of different tax rate applied for deferred tax calculation	2,810,624.37	(6,139,436.96)
Income not subject to tax	(50,500,016.89)	(60,577,043.36)
Unrecognised tax losses	3,760,422.26	27,863,223.32
Expenses not deductible for tax purposes	3,790,117.77	4,767,436.64
The deduction of the amortisation of transaction costs of convertible bonds	(371,396.91)	(340,447.17)
Income tax expenses	237,077,391.39	183,120,483.64

5 Notes to the consolidated financial statements (continued)

(37) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

	2011	2010
Consolidated net profit attributable to ordinary shareholders of the Company	875,146,104.56	745,806,530.62
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.401	0.342
Including: Basic earnings per share from continuing operations	0.401	0.342

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the year ended 31 December 2011, diluted earnings per share was equal to basic earnings per share.

(38) Other comprehensive income

	2011	2010
Gain/(loss) from cash flow hedges	29,367,262.25	(12,777,033.26)
Tax effect	-	-
Gain/(loss) from cash flow hedges – after tax	29,367,262.25	(12,777,033.26)

5 Notes to the consolidated financial statements (continued)

(39) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	2011	2010
Cash received from GZ W2 Company	12,500,000.00	-
Cash received from quality deposits for Hengping Project	9,425,400.00	-
Cash received from quality deposits for Nanping (Phase II) Project	-	15,341,551.10
Cash received from other operating activities	22,262,022.64	20,904,540.83
	44,187,422.64	36,246,091.93

(b) Cash paid relating to other operating activities

	2011	2010
Cash advanced to Longli BT Project and development of land	167,364,988.40	-
Repayments of quality deposits for Nanping (Phase II) Project	43,667,738.05	-
Repayments of quality deposits for Coastal Project	20,500,000.00	-
Management expenses paid for Coastal Project	13,304,386.50	11,157,253.85
Management expenses paid for Nanping (Phase II) Project	10,988,863.41	11,626,555.37
Cash advanced to the migration project of Meilin toll station	5,740,667.00	-
Audit, valuation, lawyers and advisory fees paid	3,224,232.34	3,655,089.89
Expenses paid to stock exchange	2,887,328.87	2,887,328.87
Other operating expenses paid	40,943,740.91	28,850,850.72
	308,621,945.48	58,177,078.70

(c) Cash received relating to other investing activities

	2011	2010
Interests income received	17,009,922.62	15,025,783.39
Receipt of quality deposits of self-owned construction projects	-	8,528,056.72
	17,009,922.62	23,553,840.11

5 Notes to the consolidated financial statements (continued)

(39) Notes to consolidated cash flow statement (continued)

(d) Cash paid relating to other investing activities

	2011	2010
Refund of quality deposits for self-owned construction projects	4,102,820.00	39,175,250.24

(e) Cash received relating to other financing activities

	2011	2010
Release of fixed deposit pledged for the borrowings	275,000,000.00	175,000,000.00

(f) Certain comparative figures have been reclassified to conform to the current year presentation.

(40) Supplementary information to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2011	2010
Net profit	919,537,778.58	805,728,385.31
Add: Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	112,201,669.25	104,269,605.46
Amortisation of intangible assets	598,787,232.85	548,144,310.30
Amortisation of long-term prepaid expenses	914,778.12	618,602.09
Losses/(gains) on disposal of fixed assets	129,967.27	(1,463,635.69)
Financial expenses	547,658,865.68	489,361,165.32
Investment income	(127,701,980.00)	(181,406,268.55)
Net movement in deferred tax assets and liabilities	(49,786,744.07)	(104,249,009.63)
(Increase)/decrease in inventories	(241,629.28)	34,676.00
Increase in operating receivables	(223,412,783.49)	(79,345,295.64)
(Decrease)/increase in operating payables	(12,435,941.63)	148,605,576.95
Provisions charged into cost of services	(258,096,309.87)	156,416,185.88
Net cash flows from operating activities	1,508,130,603.41	1,887,289,997.80

5 Notes to the consolidated financial statements (continued)

(40) Supplementary information to consolidated cash flow statements (continued)

(b) Net change in cash

	2011	2010
Cash at the end of the year	2,167,953,309.07	577,312,394.11
Less: cash at the beginning of the year	(577,312,394.11)	(510,768,046.92)
Net decrease in cash	1,590,640,914.96	66,544,347.19

(c) Cash and cash equivalents

	31 December 2011	31 December 2010
Cash at bank and on hand (Note 5(1))	2,175,670,176.39	874,274,396.40
Less: Restricted bank balances (Note 5(1))	(7,716,867.32)	(21,962,002.29)
Pledged fixed deposits (Note 5(1))	-	(275,000,000.00)
Cash at the end of the year	2,167,953,309.07	577,312,394.11

6 Segment information

The reportable segments of the Group are the business units that provide different products or service, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has only one reportable segment, i.e. toll road segment, which takes charge of operation and management of toll roads in mainland China.

Other businesses principally comprise provision of advertising services, construction management services and other services. The Group has no inter-segment transfers. These businesses do not compose separate reportable segments.

6 Segment information (continued)

(1) Segment information as at and for the year ended 31 December 2011 is as follows:

Segment	Toll road	Other	Unallocated	Total
Revenue from external customers	2,715,561,596.63	236,057,460.35	-	2,951,619,056.98
Interest income	6,047,771.87	430,602.14	9,870,399.59	16,348,773.60
Interest expenses	547,412,118.18	5,665.68	-	547,417,783.86
Share of profit of associates and joint ventures	124,880,477.27	2,821,502.73	-	127,701,980.00
Depreciation and amortisation	687,243,716.75	16,919,847.70	8,315,815.77	712,479,380.22
Total profit	1,104,614,963.72	136,908,819.18	(84,908,612.93)	1,156,615,169.97
Income tax expense	204,107,511.95	32,969,879.44	-	237,077,391.39
Net profit	900,507,451.77	103,938,939.74	(84,908,612.93)	919,537,778.58
Total assets	24,136,350,766.96	287,184,093.19	185,257,841.79	24,608,792,701.94
Total liabilities	13,943,080,958.19	30,206,573.71	138,117,479.86	14,111,405,011.76
Long-term equity investments in associates and joint ventures	1,572,791,083.35	13,153,802.16	-	1,585,944,885.51
Additions to non-current assets other than long-term equity investments	(22,909,931.57)	61,025,236.51	(6,405,642.91)	31,709,662.03

(2) Segment information as at and for the year ended 31 December 2011 is as follows:

Segment	Toll road	Other	Unallocated	Total
Revenue from external customers	2,615,465,050.70	149,835,336.33	-	2,765,300,387.03
Interest income	3,369,134.68	240,058.48	11,163,029.92	14,772,223.08
Interest expenses	481,544,573.85	4,300.99	-	481,548,874.84
Share of profit of associates and joint ventures	179,194,386.51	2,211,882.04	-	181,406,268.55
Depreciation and amortisation	638,425,359.66	7,223,857.51	7,959,000.68	653,608,217.85
Total profit	969,136,737.09	76,199,285.92	(56,487,154.06)	988,848,868.95
Income tax expense	166,879,388.32	16,241,095.32	-	183,120,483.64
Net profit	802,257,348.77	59,958,190.60	(56,487,154.06)	805,728,385.31
Total assets	22,633,397,144.18	233,124,093.56	183,445,580.96	23,049,966,818.70
Total liabilities	12,842,172,748.50	39,695,176.66	194,175,974.31	13,076,043,899.47
Long-term equity investments in associates and joint ventures	1,574,555,608.61	10,332,299.43	-	1,584,887,908.04
Additions to non-current assets other than long-term equity investments	206,037,296.05	591,977.24	(18,855,920.62)	187,773,352.67

The Group's revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived within PRC.

7 Related parties and related party transactions

(1) Information of the parent of the Company:

(a) General information of the parent company:

	Type	Place of registration	Legal representative	Code of organisation	Nature of business
Shenzhen International	Foreign enterprise	Bermuda	Not applicable	Not applicable	Investment holding

The Company's ultimate controlling party is SIHCL. As at 17 November 2010, Shenzhen Investment Holdings Corporation, the original ultimate holding company of Shenzhen International, transferred its 40.55% equity of Shenzhen International (including direct and indirect interest) to SIHCL, which is supervised and managed by the Shenzhen State-owned Assets Supervision and Administration Bureau. After the transfer, SIHCL became the ultimate holding company of the Company. SIHCL applied for exemption for the obligation of granting an acquisition offer relating to the share transfer. As at 12 July 2011, the application was approved by China Securities Regulatory Commission.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2010	Current year additions	Current year reductions	31 December 2011
Shenzhen International	HKD2,000,000,000.00	-	-	HKD2,000,000,000.00

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	31 December 2011		31 December 2010	
	% interest held	% voting rights	% interest held	% voting rights
Shenzhen International	50.89%	50.89%	50.89%	50.89%

(2) Information of subsidiaries

The information for the subsidiaries is set out in Note 4(1).

7 Related parties and related party transactions (continued)

(3) Information of joint ventures and associates

	Type	Place of registration	Legal representative	Nature of business	Registered capital (RMB)	% equity interest	% voting right	Code of organisation
Joint ventures-								
Shenchang Company	Limited liability company	Changsha City, Hunan Province	Luo Cheng Bao	(i)	200,000,000	51%	51%	71216935-7
Guilong Company	Limited liability company	Longli Country, Guizhou Province	Yang Ming	(iii)	10,000,000	49%	49%	57332917-x
Associates-								
Qinglong Company	Limited liability company	Shenzhen City, Guandong Province	Wu Xian	(i)	324,000,000	40%	40%	19230570-5
Consulting Company	Limited liability company	Shenzhen City, Guandong Province	Cai Cheng Guo	(ii)	18,750,000	24%	24%	74124302-6
Huayu Company	Limited liability company	Shenzhen City, Guandong Province	Wu Xian	(i)	150,000,000	40%	40%	73417205-5
Jiangzhog Company	Limited liability company	Guangzhou City, Guangdong Province	Lu Ya Xing	(i)	1,045,000,000	25%	25%	74296235-6
Nanjing Third Bridge Company	Limited liability company	Nanjing City, Jiangsu Province	Feng Bao Chun	(i)	1,080,000,000	25%	25%	74537269-3
Yangmao Company	Limited liability company	Guangzhou City, Guandong Province	Luo Ying Sheng	(i)	200,000,000	25%	25%	74170833-x
GZ W2 Company	Limited liability company	Guangzhou City, Guandong Province	Xu Jie Hong	(i)	1,000,000,000	25%	25%	76400825-6
Guangyun Company	Limited liability company	Yunfu City, Guandong Province	Gu Shui Ling	(i)	10,000,000	30%	30%	74448922-4

(i) Expressway construction and operation.

(ii) Construction advisory and consultancy.

(iii) Investment and management of road construction, land development and the project management.

7 Related parties and related party transactions (continued)

(4) Information of other related parties

	Relationship with the Group	Code of organisation
Flywheel Investment Limited	Under same control of Shenzhen International	Not applicable
Xin Tong Chan Company	Shareholder of the Company	19224376-X
Baotong Company	Under same control of Shenzhen International	72618130-6
Coastal Company	Ultimately controlled by SIHCL	68201030-1
United Electronic Company	One of its directors is the Company's key management personnel	74084676-5

(5) Related party transactions

(a) Rendering or receiving of services

(i) Receiving of services

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	2011 Amount	2011 Percentage in the total amount of similar transactions	2010 Amount	2010 Percentage in the total amount of similar transactions
Consulting Company	Receiving project management services	Negotiated price	29,887,550.45	29.55%	23,868,884.10	39.22%
United Electronic Company	Receiving integrated toll system settlement services	Determined by price bureau	19,421,866.56	100.00%	10,964,907.96	100.00%

The Group signed management services contracts with Consulting Company. Total management services expenses amounted to RMB132,182,303.58, majority of which are management services provided to Qinglian Company for its expressway project. Up to 31 December 2011, the Group paid accumulated management services expenses to Consulting Company amounting to RMB126,606,345.55 (31 December 2010: RMB96,718,795.10).

United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of integrated toll system in Guangdong province. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide tolls settlement services for Meiguan Expressway, Airport-Heao Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway operated by the Group. The service periods end on the expiry dates of operation periods of individual toll roads. The related service charges are determined by commodity price bureau of Guangdong Province.

(ii) Rendering of services

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	2011 Amount	2011 Percentage in the total amount of similar transactions	2010 Amount	2010 Percentage in the total amount of similar transactions
Baotong Company	Entrusted construction management services	Negotiated price	1,132,578.82	0.89%	1,294,181.75	1.38%
Coastal Company	Entrusted construction management services	Negotiated price	96,664,263.59	76.32%	21,635,854.09	23.79%

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Rendering or receiving of services (continued)

(ii) Rendering of services (continued)

On 20 May 2009, Baotong Company signed a management service contract with the Company and entrusted the Company to manage the construction of Longhua Extension with construction period of 24 months from the signing date. As the entrusting party, Baotong Company is responsible for the financing and payment of the construction funds. Management services revenues comprise management services compensation and premiums from investment controls (if any). The basic management services compensation amounts to RMB5,000,000. The premiums from investment controls are calculated on the basis of project budget and project closing expense. All savings are defined as premiums if in case the saving project from closing expense does not exceed by 2.5% of the total project budget, while the Company would also share the portion of any savings exceeding 2.5% of the project budget. In current year, the Company recognised management services amounting to RMB1,132,578.82 (2010: RMB1,294,181.75) according to the same amount of management expenses and related taxation incurred only to the extent that such costs are probable to be recovered.

As mentioned in Note 5(19)(b), SIHCL signed a ‘operation and management entrustment agreement’ with the Company. Pursuant to the agreement, the management service revenue is 1.5% of the construction budget, which was also formally contracted in the ‘entrusted construction management agreement’ signed by Coastal Company and the Company on 9 September 2011. During the year, the Company has recognised construction management services fee amounting to RMB96,664,263.59 (2010: RMB21,635,854.09).

(b) Guarantee

Guarantor	Guarantee	Amount	Starting date	Ending date	Fully performed or not
Xin Tong Chan Company	the Company	USD223,420.00	31 July 2001	31 July 2011	Yes

(c) Related party trusteeship

Entrusting party	Type of entrustment	Entrusted party	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised in 2011	Entrusted revenue recognised in 2010
Baotong Company	Equity trusteeship	the Company	1 January 2010	31 December 2011	Negotiated price	22,014,011.40	15,000,000.00

(d) Financing

	Amount	Starting date	Ending date
Advance from -			
GZ W2 Company	12,500,000.00	30 November 2011	No fixed repayment date, but repayable on demand

The Company did not incur any interest expense from the advance.

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(e) Remuneration of key management personnel

	2011	2010
Remuneration of key management personnel	10,642,000.00	10,225,000.00

Key management personnel include directors, supervisor and senior management staff. In current year, the Company has 22 key management personnel (2010: 22).

(f) Directors' emoluments

Directors' emoluments for the year ended 31 December 2011 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	-	947,000.00	947,000.00
Wu Ya De*	-	958,000.00	958,000.00
Zhao Zhi Chang	350,000.00	-	350,000.00
Lin Huai Han	150,000.00	-	150,000.00
Ding Fu Xiang	150,000.00	-	150,000.00
Wang Hai Tao	150,000.00	-	150,000.00
Zhang Li Min	150,000.00	-	150,000.00

Directors' emoluments for the year ended 31 December 2010 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	-	958,000.00	958,000.00
Wu Ya De*	-	958,000.00	958,000.00
Zhang Yang	-	-	8,550.00
Zhao Zhi Chang	350,000.00	-	350,000.00
Lin Huai Han	150,000.00	-	150,000.00
Ding Fu Xiang	150,000.00	-	150,000.00
Wang Hai Tao	150,000.00	-	150,000.00
Zhang Li Min	150,000.00	-	150,000.00

* The two directors' emoluments have been included in remuneration of key management personnel in Note 7(5)(d).

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(f) Directors' emoluments (continued)

The directors, Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Xie Ri Kang, Lin Xiang Ke, Zhang Yang, Zhao Zhi Chang, Lin Huai Han, Ding Fu Xiang, Wang Hai Tao and Zhang Li Min, are entitled to meeting allowance (after individual income tax) amounting to RMB15,500.00, RMB14,500.00, RMB10,500.00, RMB9,000.00, RMB10,000.00, RMB11,500.00, RMB12,000.00, RMB14,500.00, RMB13,500.00, RMB16,000.00, RMB16,500.00 and RMB15,500.00. The directors, Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Xie Ri Kang and Lin Xiang Ke have waived the meeting allowance of the current year.

In addition, the directors, Yang Hai and Wu Ya De, are also entitled to other benefits and allowances including medical schemes contribution, festival allowance and car allowance.

During the year ended 31 December 2011, the directors, Yang Hai and Wu Ya De, were entitled to other benefits and allowances with amounts of RMB95,000.00 (2010: RMB32,000.00) and RMB96,000.00 (2010: RMB32,000.00), respectively.

During the year ended 31 December 2011, the directors, Yang Hai and Wu Ya De, were entitled to the pension schemes contribution of RMB54,000.00 (2010: RMB45,000.00) and RMB54,000.00 (2010: RMB45,000.00), respectively.

(g) The five top paid individuals

The five top paid individuals of the Group for the year include 2 (2010: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2010: 3) individuals during the year are as follows:

	2011	2010
Basic salaries, bonus, housing allowance, other allowances in kind	2,793,000.00	2,724,500.00
Pension	151,000.00	135,000.00
	2,944,000.00	2,859,500.00

	Number of individuals 2011	2010
Emolument bands:		
HKD0 – HKD1,000,000	-	-
HKD1,000,001 – HKD1,500,000	3	3
HKD1,500,001 – HKD2,000,000	-	-

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(h) Other related parties transaction

As mentioned in Note 4(3), during the year of 2011, Mai Wah Company (a subsidiary of the Company) and Flywheel Investment Limited reached a supplementary agreement related to JEL Company. According to that, Mei Wah Company obtained the control over JEL Company.

(6) Receivables from and payables to related parties

		31 December 2011	31 December 2010
Accounts receivables	Coastal Company	42,880,964.26	-
	Baotong Company	3,231,848.78	-
		46,112,813.04	-
Other receivables	Baotong Company	-	364,260.33
Advances to suppliers	Consulting Company	949,523.20	-
Other payables	Nanjing Third Bridge Company	39,544,681.47	46,500,000.00
	Coastal Company	-	40,793,854.01
	GZ W2 Company	12,500,000.00	-
	United Electronic Company	1,388,420.97	1,702,071.44
	Baotong Company	1,003,160.85	-
		54,436,263.29	88,995,925.45
Dividends payable	Flywheel Investments Limited	7,829,353.57	-

(7) Commitments in relation to related parties

Except for the investment commitments relating to the associate, Qinglong Company, as stated in Note 9(2)(a), other commitments in relation to related parties contracted for but not yet recognised on the balance sheet by the Group as at the balance sheet date are as follows:

(a) Receiving of services

	31 December 2011	31 December 2010
Consulting Company	4,600,958.03	25,971,029.20

7 Related parties and related party transactions (continued)

(7) Commitments in relation to related parties (continued)

(b) Receiving guarantee

	31 December 2011	31 December 2010
Xin Tong Chan Company	-	USD223,420.00

The borrowing amounting to USD223,420 granted by the Spanish Government through China Construction Bank Corporation and guaranteed by Xin Tong Chan Company was expired in current year.

8 Contingencies

(a) In 2007, the Company has entered into two project construction management contracts with the Shenzhen Communications Bureau who represent the Shenzhen government. Related contracts for Nanping (Phase II) Project and the renovation project of the Shenyun-North Ring Interchange in Shenzhen, the Company had arranged with banks to issue irrevocable performance guarantees to the Shenzhen Communications Bureau amounting to RMB50,000,000.00 and RMB1,000,000.00 respectively.

In current year, the Company signed a construction management service contract with Shenzhen Traffic Public Facilities Construction Center who represents the Shenzhen government, entrusted to manage the construction of Longda Municipal Project. The Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.00.

(b) In 2008, according to the demand by the Shenzhen Local Tax Bureau (the ‘Local Tax Bureau’) and the communication with related government departments, the Group had made a provision for enterprise income tax as at 31 December 2008 in the amount of RMB39,236,062.97. As of the date of approval of this financial information, there is no progress in the current year and the amount of tax liabilities still could not be ascertained with reasonably certainty. Thus no change has been made to the provision for the enterprise income tax liabilities and no provision has been made for the potential penalty. The provision of RMB39,236,062.97 has not yet paid.

(c) Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In current year, Qinglian Fengyun Eco-tourism Development Company Limited, BP Petrochina Qingyuan Sales Company Limited and Petrochina Guangdong Sales Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. In current year, these three companies appealed to the High Count of Guangdong Province. As at the date of approval of the financial statements, the litigation is still in progress. Considering the nature of project and construction status of upgrading project, the directors of the Company considered that the outcome of the litigation would not lead to any significant impact on the Company’s operating results.

9 Commitments

(1) Capital commitments

(a) Capital expenditures contracted for but not yet recognised on the balance sheet are as follows:

	31 December 2011	31 December 2010
Expressway construction projects	357,834,597.53	40,791,486.02

It mainly represents capital commitments to the extension of Meiguan Expressway.

(b) Capital commitments approved by the management but are not yet contracted for

	31 December 2011	31 December 2010
Expressway construction projects	401,395,296.48	1,240,535,786.26

As at 31 December 2011 and 31 December 2010, the joint ventures did not incur any commitments for capital expenditures.

(2) Investment commitments

(a) In accordance with the resolution passed in Board of Directors' meeting on 18 September 2009, the Company committed to inject capital of RMB132 million in cash to an associate, Qinglong Company, which will be used on the expansion project of Shuiguan Expressway. Up to 31 December 2011, the Company had injected RMB89.6 million. The investment commitment was RMB42.4 million.

(b) In accordance with the resolution passed in Board of Directors' meeting on 19 January 2010, the Company committed to inject capital of RMB1,455.6 million to a subsidiary, Qinglian Company, which comprised RMB757.4 million transferred from loans and RMB698.2 million injected in cash. The fund will be used on the expansion project of Qinglian Expressway. Up to 31 December 2011, the Company had injected RMB1,237.3 million which comprised RMB610.5 million transferred from loans and RMB626.8 million injected in cash. The investment commitment was RMB218.3 million, comprising RMB146.9 million to be transferred from loans and RMB71.4 million to be injected in cash.

(c) In accordance with the agreement entered into with CCCC-SHB Fifth Engineering Co., Ltd. in 2011 concerning about the investment to the subsidiary, Guishen Company, the Company committed to inject capital of RMB350 million to Guishen Company. Up to 31 December 2011, the Company has injected RMB140 million, while the rest RMB210 million would be injected gradually within two years from the incorporation of Guishen Company.

(3) Performance status of commitments for the previous year

The Group had fully executed capital commitments outstanding as at 31 December 2010. In current year, in accordance with the resolution of Board of Directors' meeting, the Group injected RMB596 million to Qinglian Company, which comprised RMB251 million transferred from shareholder's loan and cash injection of RMB345 million.

10 Events after the balance sheet date

Dividend distribution after the balance sheet date

Dividend proposed (a)	
- Dividend authorised to declare	348,923,252.16

(a) In accordance with the resolution of the Board of Directors' meeting dated on 28 March 2012, the Board of Directors proposed a dividend in the amount of RMB348,923,252.16 to the shareholders, which is not recorded as liability in the financial statements for the year ended 31 December 2011(Note 5(28)).

11 Financial instruments and risk

The Group's activities expose it to a variety of financial risks: market risk (primarily currency risk and 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.

(1) Market risk

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to HK dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to mitigate the foreign exchange risk. The Group has entered into forward exchange contract and CNY/HKD cross currency interest rate swap contract to minimize foreign exchange risk.

As at 31December 2011 and 31 December 2010, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2011		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	32,898,022.17	96,019.05	32,994,041.22
Financial liabilities denominated in foreign currency -			
Short-term borrowings	137,819,000.00	-	137,819,000.00
Current portion of non-current liabilities	201,053,600.00	-	201,053,600.00
Long-term borrowings	459,666,900.00	-	459,666,900.00
	798,539,500.00	-	798,539,500.00

11 Financial instruments and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

	31 December 2010		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	50,879,075.07	100,978.42	50,980,053.49
Financial liabilities denominated in foreign currency -			
Short-term borrowings	529,259,800.00	-	529,259,800.00
Current portion of non-current liabilities	96,151,700.00	1,479,643.63	97,631,343.63
Long-term borrowings	693,483,500.00	-	693,483,500.00
	1,318,895,000.00	1,479,643.63	1,320,374,643.63

Regardless of the borrowing amounting to HKD227 million and HKD378 million of which the foreign exchange risks have been hedged by the forward exchange contract and the cross currency interest rate swap (Note 5(21) and Note 5(22)), as at 31 December 2011, if the currency had weakened/strengthened by 10% against the HKD while all other variables had been held constant, the Group’s net profit for the year would have been approximately RMB28,266,199.92 (31 December 2010: RMB63,066,703.21) lower/higher for various financial assets and liabilities denominated in HKD.

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2011, the Group’s long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB5,833,154,455.54 (31 December 2010: RMB3,068,826,890.46).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group’s outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group’s financial position. The Group’s finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions. The Group has entered into a CNY/HKD cross currency interest rate swap contract to minimize interest rate risk.

Regardless of the borrowing amounting to HKD378 million, of which the interest rate risk has been hedged by the cross currency interest rate swap (Note 5(20) and Note 5(21)), as at 31 December 2011, if interest rates on the floating rate borrowings and bonds payable had risen/fallen 50 basis points while all other variables had been held constant, the Group’s net profit would have decreased/increased by approximately RMB16,681,010.32 (31 December 2010: approximately RMB13,611,700.58).

11 Financial instruments and risk (continued)

(2) Credit risk

The Group expects that there is no significant credit risk. The maximal credit risk mainly arises from cash at bank and on hand and other receivables.

The table below shows the bank deposits of the major counterparties of the Group as at the balance sheet date:

	31 December 2011	31 December 2010
State-owned banks	875,265,279.96	164,358,174.38
Other banks	1,296,467,693.93	709,117,419.75
	2,171,732,973.89	873,475,594.13

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and others are the listed banks or commercial banks at medium/large size. The directors do not expect any losses from non-performance by these counterparties.

As a result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers, except for management services revenue due from government authorities in Shenzhen and due from government authorities in Guizhou Long Li Country relating to Longli BT Project, which amounted to approximately RMB409 million (2010: RMB193 million) in aggregate.

(3) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities so as to meet the short-term and long-term liquidity requirements.

11 Financial instruments and risk (continued)

(3) Liquidity risk (continued)

The financial assets and liabilities of the Group as at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2011				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets denominated in foreign currency -					
Cash at bank and on hand	2,175,670,176.39	-	-	-	2,175,670,176.39
Receivables (Note 1)	511,549,534.60	-	-	-	511,549,534.60
	2,687,219,710.99	-	-	-	2,687,219,710.99
Financial liabilities denominated in foreign currency -					
Short-term borrowings	138,738,370.95	-	-	-	138,738,370.95
Current portion of non-current liabilities (Note 3)	506,078,535.12	-	-	-	506,078,535.12
Payables (Note 2)	1,207,446,095.63	-	-	-	1,207,446,095.63
Long-term borrowings	337,323,525.08	888,941,465.22	2,550,025,684.22	4,439,998,647.50	8,216,289,322.02
Bonds payables	180,290,000.00	2,380,290,000.00	1,902,000,000.00	1,064,000,000.00	5,526,580,000.00
Hedging instruments	1,444,157.94	1,444,157.94	23,157,803.51	-	26,046,119.39
	2,371,320,684.72	3,270,675,623.16	4,475,183,487.73	5,503,998,647.50	15,621,178,443.11

	31 December 2010				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets denominated in foreign currency -					
Cash at bank and on hand	874,274,396.40	-	-	-	874,274,396.40
Receivables (Note 1)	290,862,311.96	-	-	-	290,862,311.96
	1,165,136,708.36	-	-	-	1,165,136,708.36
Financial liabilities denominated in foreign currency -					
Short-term borrowings	743,384,883.08	-	-	-	743,384,883.08
Notes payable	3,032,272.84	-	-	-	3,032,272.84
Current portion of non-current liabilities (Note 3)	177,193,107.26	-	-	-	177,193,107.26
Payables (Note 2)	1,331,532,907.13	-	-	-	1,331,532,907.13
Long-term borrowings	289,516,159.07	882,984,425.18	2,187,914,533.59	4,367,052,973.70	7,727,468,091.54
Bonds payables	85,040,000.00	85,040,000.00	2,373,040,000.00	1,108,000,000.00	3,651,120,000.00
Hedging instruments	610,465.47	610,643.33	10,982,414.21	-	12,203,523.01
	2,630,309,794.85	968,635,068.51	4,571,936,947.80	5,475,052,973.70	13,645,934,784.86

Note 1: Receivables comprise accounts receivable, other receivables and interest receivable.
Note 2: Payables comprise accounts payable, dividends payable and other payables.
Note 3: Excluding current portion of provisions for maintenance/resurfacing obligations.

11 Financial instruments and risk (continued)

(3) Liquidity risk (continued)

Borrowings and bonds payable are analysed by repayment terms as follows:

	31 December 2011		31 December 2010	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	1,700,339,308.00	3,700,000,000.00	2,365,374,643.63	2,200,000,000.00
Not wholly repayable within five years	4,823,444,000.00	800,000,000.00	4,298,900,000.00	800,000,000.00
	6,523,783,308.00	4,500,000,000.00	6,664,274,643.63	3,000,000,000.00

Since the Group has steady and sufficient cash flow from operation and sufficient banking facilities, and based on the fact that the Group has proper financing arrangement to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group does not have significant liquidity risk.

(4) Fair value

(a) Financial instruments not measured at fair value

Financial assets and liabilities not measured at fair value mainly represent receivables, short-term borrowings, payables, long-term borrowings and bonds payable.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	765,000,000.00	728,440,632.70	3,388,054,300.00	3,214,468,881.63
Bonds payable	3,656,125,969.29	3,594,544,669.26	2,108,426,059.65	2,106,410,155.85
	4,421,125,969.29	4,322,985,301.96	5,496,480,359.65	5,320,879,037.48

The fair value of long-term borrowings with fixed interest rates and bonds payable with fixed interest rates not quoted in an active market is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

(b) Financial instruments measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices).

Level 3: Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)

11 Financial instruments and risk (continued)

(4) Fair value (continued)

(b) Financial instruments measured at fair value (continued)

As at 31 December 2011, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets	-	-	-	-
Financial liabilities -				
Current portion of hedging instruments	-	935,337.35	-	935,337.35
Hedging instruments	-	11,364,107.77	-	11,364,107.77
	-	12,299,445.12	-	12,299,445.12

As at 31 December 2010, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets	-	-	-	-
Financial liabilities -				
Hedging instruments	-	25,696,082.32	-	25,696,082.32

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis. Inputs to valuation techniques include prepayment rates, rates of estimated credit losses, and interest rates or discount rates.

12 Assets and liabilities measured at fair value

	31 December 2010	Gains or losses arising from changes in fair value in current year	Cumulative amount of changes in fair value recognised directly in equity	Impairment loss in current year	31 December 2011
Current portion of hedging instruments	-	-	935,337.35	-	935,337.35
Hedging instruments	25,696,082.32	-	(14,331,974.55)	-	11,364,107.77
	25,696,082.32	-	(13,396,637.20)	-	12,299,445.12

13 Financial assets and liabilities in foreign currencies

	31 December 2011	31 December 2010
Financial assets -		
Cash and cash on hand	32,994,041.22	50,980,053.49
Financial liabilities-		
Short-term borrowings	137,819,000.00	529,259,800.00
Current portion of long-term borrowings	201,053,600.00	97,631,343.63
Long-term borrowings	459,666,900.00	693,483,500.00
	798,539,500.00	1,320,374,643.63

14 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2011	31 December 2010
Accounts receivable	261,825,282.91	217,361,364.51
Less: provision for bad debts	-	-
	261,825,282.91	217,361,364.51

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2011	31 December 2010
Within 1 year	75,299,246.44	81,961,662.59
1 to 2 years	61,327,067.98	1,375,664.31
2 to 3 years	12,485.00	6,954,776.11
Over 3 years	125,186,483.49	127,069,261.50
	261,825,282.91	217,361,364.51

14 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(b) Accounts receivable is analysed by categories as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
- Group 1	248,326,314.16	94.84%	-	-	216,443,376.67	99.58%	-	-
- Group 2	13,498,968.75	5.16%	-	-	917,987.84	0.42%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	261,825,282.91	100.00%	-	-	217,361,364.51	100.00%	-	-

(c) Group 2 is accounts receivable of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	13,486,483.75	99.91%	-	-	917,987.84	100.00%	-	-
1 year to 2 year	12,485.00	0.09%	-	-	-	-	-	-
	13,498,968.75	100.00%	-	-	917,987.84	100.00%	-	-

(d) Accounts receivable from related parties is analysed as follows:

	Relationship with the Company	31 December 2011			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Coastal Company	Controlled by the ultimate holding company, together with the Company	42,880,964.26	16.38%	-	-	-	-
Baotong Company	Controlled by the ultimate holding company, together with the Company	3,231,848.78	1.23%	-	-	-	-
		46,112,813.04	17.61%	-	-	-	-

14 Notes to the Company's financial statements (continued)

(1) Accounts receivable (continued)

(e) As at 31 December 2011 and 31 December 2010, there was no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

(f) As at 31 December 2011, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Due from Shenzhen Communications Bureau in relation to the project management services to Nanping (Phase I) Project	Independent third party	141,057,177.49	2 to 5 years	53.88%
Due from Coastal Company in relation to the project management services to Coastal Project	Controlled by the ultimate holding company, together with the Company	42,880,964.26	Within 1 year	16.38%
Due from revenues through Unitoll Card	Independent third party	24,880,451.69	Within 1 year	9.50%
Due from Highway Bureau of Longgang Distinct in relation to the project management services to Hengping Project	Independent third party	33,100,617.48	1 to 3 years	12.64%
Due from Baotong Company in relation to the management entrustment fee	Controlled by the ultimate holding company, together with the Company	3,231,848.78	Within 1 year	1.23%
		245,151,059.70		93.63%

(g) As at 31 December 2011 and 31 December 2010, all accounts receivable were denominated in RMB.

(2) Other receivables

	31 December 2011	31 December 2010
Advances	228,108,299.60	33,290,932.34
Guaranteed deposits	-	9,425,400.00
Others	6,324,059.08	11,480,993.79
	234,432,358.68	54,197,326.13
Less: provision for bad debts	-	-
	234,432,358.68	54,197,326.13

(a) The ageing of other receivables is analysed as follows:

	31 December 2011	31 December 2010
Within 1 year	231,506,980.42	32,464,753.37
1 to 2 years	2,831,728.14	10,440,511.48
2 to 3 years	93,650.12	1,370,230.28
Over 3 years	-	9,921,831.00
	234,432,358.68	54,197,326.13

14 Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(b) Other receivables are analysed by categories as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
- Group 1	228,108,299.60	97.30%	-	-	41,398,564.75	76.38%	-	-
- Group 2	6,324,059.08	2.70%	-	-	12,798,761.38	23.62%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	234,432,358.68	100.00%	-	-	54,197,326.13	100.00%	-	-

(c) Group 2 is other receivables of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2011				31 December 2010			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	5,901,013.47	93.31%	-	-	12,500,511.33	97.67%	-	-
1 to 2 years	329,395.49	5.21%	-	-	298,250.05	2.33%	-	-
2 to 3 years	93,650.12	1.48%	-	-	-	-	-	-
	6,324,059.08	100.00%	-	-	12,798,761.38	100.00%	-	-

(d) As at 31 December 2011 and 31 December 2010, there were no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

(e) Other receivables from related parties were analysed as follows:

	Relationship with the Company	31 December 2011			31 December 2010		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Meiguan Company	A subsidiary of the Company	136,096,968.70	58.05%	-	29,650,620.38	54.71%	-
Airport-Heao Eastern Company	A subsidiary of the Company	85,986,514.82	36.68%	-	-	-	-
Baotong Company	Controlled by the ultimate holding company, together with the Company	-	-	-	364,260.33	0.67%	-
		222,083,483.52	94.73%	-	30,014,880.71	55.38%	-

14 Notes to the Company's financial statements (continued)

(2) Other receivables (continued)

(f) As at 31 December 2011, the five largest other receivables are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Advances for Meiguan Company	A subsidiary of the Company	136,096,968.70	1 to 3 years	58.05%
Advances for Airport-Heao Eastern Company	A subsidiary of the Company	85,986,514.82	Within 1 year	36.68%
Due from Shenzhen Government in relation to the advances to the migration project of Meilin toll station	Independent third party	5,740,667.00	Within 1 year	2.45%
Due from the escort companies in relation to the toll road revenue in transit	Independent third party	1,663,565.00	Within 1 year	0.71%
Advances of charges for water and electricity for Nanguang Checkpoint Station	Independent third party	613,283.57	Within 1 year	0.26%
		230,100,999.09		98.15%

(g) As at 31 December 2011, all other receivables were denominated in RMB (31 December 2010: the same).

(3) Long-term receivables

	31 December 2011	31 December 2010
Loans to Qinglian Company	1,286,001,469.25	1,332,357,225.41

(4) Long-term equity investments

	31 December 2011	31 December 2010
Subsidiaries - Unlisted (a)	4,903,409,939.58	4,922,766,187.96
Joint ventures - Unlisted (b)	183,131,418.94	186,386,155.67
Associates - Unlisted (b)	1,402,813,466.57	1,398,501,752.37
Other long-term equity investment (b)	30,170,000.00	28,500,000.00
	6,519,524,825.09	6,536,154,096.00
Less: Provision for impairment of long-term equity investments	-	-
	6,519,524,825.09	6,536,154,096.00

As at 31 December 2011, no provision for impairment of long-term equity investments was required (31 December 2010: nil).

14 Notes to the Company's financial statements (continued)

(4) Long-term equity investments (continued)

(a) Subsidiaries

	Ending balance of investment costs	31 December 2010	Current year additions	Investment cost recovered	31 December 2011	Cash dividend declared	Equity interest held	Voting rights held	Impairment
Airport-Heao Eastern Company	1,145,145,597.78	1,320,454,729.44	-	(175,309,131.66)	1,145,145,597.78	189,361,788.60	100%	100%	-
Meiguan Company	651,394,912.16	662,099,155.25	-	(10,704,243.09)	651,394,912.16	85,554,798.67	100%	100%	-
Advertising Company	3,325,000.01	3,325,000.01	-	-	3,325,000.01	-	95%	95%	-
Mei Wah Company	831,769,303.26	831,769,303.26	-	-	831,769,303.26	-	100%	100%	-
Qinglian Company	1,981,775,126.37	2,005,118,000.00	149,818,326.37	(173,161,200.00)	1,981,775,126.37	-	51.37%	51.37%	-
Outer Ring Company	100,000,000.00	100,000,000.00	-	-	100,000,000.00	-	100%	100%	-
Expressway Investment Company	190,000,000.00	-	190,000,000.00	-	190,000,000.00	-	95%	95%	-
	4,903,409,939.58	4,922,766,187.96	339,818,326.37	(359,174,574.75)	4,903,409,939.58	274,916,587.27			-

The Company uses cost method to account for investments in the above subsidiaries.

As stated in Note 5(23)(b), the full amount of principal and interest of the Company's corporate bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company.

(b) For detailed information of associates and other long-term equity investments, please refer to Note 5(6)(a), Note 5(6)(b) and Note 5(6)(c).

14 Notes to the Company's financial statements (continued)

(5) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
Cost					
31 December 2010	381,619,282.45	445,560,065.59	15,963,457.35	36,456,685.33	879,599,490.72
Transfers from construction in progress (Note 14(6))	-	105,429,461.92	-	-	105,429,461.92
Additions in current year	-	23,221,082.55	1,354,000.00	1,614,496.42	26,189,578.97
Current year reductions	-	-	(986,590.00)	(871,754.52)	(1,858,344.52)
31 December 2011	381,619,282.45	574,210,610.06	16,330,867.35	37,199,427.23	1,009,360,187.09
Accumulated depreciation					
31 December 2010	63,113,890.16	198,711,604.29	11,079,468.54	21,128,991.46	294,033,954.45
Current year additions	13,305,145.23	41,449,246.27	1,593,636.72	4,792,242.93	61,140,271.15
Current year reductions	-	-	(885,743.66)	(640,383.74)	(1,526,127.40)
31 December 2011	76,419,035.39	240,160,850.56	11,787,361.60	25,280,850.65	353,648,098.20
Net book value					
31 December 2011	305,200,247.06	334,049,759.50	4,543,505.75	11,918,576.58	655,712,088.89
31 December 2010	318,505,392.29	246,848,461.30	4,883,988.81	15,327,693.87	585,565,536.27

14 Notes to the Company's financial statements (continued)

(5) Fixed assets (continued)

There are buildings with net book value of RMB202,142,607.45 (cost: RMB256,161,448.83) lack certificates of ownership (31 December 2010: net book value of RMB211,526,246.84, cost of RMB256,161,448.83). Due to the unique feature of the Group's operation, toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire. Thus, the Company has no intention to acquire the related property ownership certificates.

In 2011, depreciation amounting to RMB55,622,648.35 (2010: RMB49,018,121.74) and RMB5,517,622.80 (2010: RMB6,901,940.26) has been charged in costs of services and general and administrative expenses, respectively. As at 31 December 2011, no provision for impairment of fixed assets is required (31 December 2010: nil).

(6) Construction in progress

Name	Budget	31 December 2010	Current year additions	Transfer to fixed assets	31 December 2011	Source of funds	% contribution in budget of current year	Progress of construction
Monitoring projects of expressway lighting	103 million	-	103,574,447.00	(103,574,447.00)	-	Self-owned funds	100%	Completion
Others	*	1,746,567.52	1,500,956.72	(1,855,014.92)	1,392,509.32	Self-owned funds	*	In progress
Total		1,746,567.52	105,075,403.72	(105,429,461.92)	1,392,509.32			

* The budgets of these projects are not disclosed as the amounts are not material.

As at 31 December 2011, no provision for impairment of construction in progress was required (31 December 2010: nil).

14 Notes to the Company's financial statements (continued)

(7) Intangible assets

	Cost	31 December 2010	Current year addtions	Current year amortisation	31 December 2011	Accumulated amortisation
Concession intangible assets	5,751,529,304.54	5,159,691,972.41	49,723,696.00	(150,603,699.49)	5,058,811,968.92	(692,717,335.62)
- Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	596,715,749.95	-	(40,555,624.14)	556,160,125.81	(287,508,426.42)
- Yanba Expressway	1,321,937,644.13	1,220,940,098.18	-	(31,433,044.36)	1,189,507,053.82	(132,430,590.31)
- Yanpai Expressway	910,532,308.18	784,332,703.80	-	(37,554,912.19)	746,777,791.61	(163,754,516.57)
- Nanguang Expressway*	2,675,390,800.00	2,557,703,420.48	49,723,696.00	(41,060,118.80)	2,566,366,997.68	(109,023,802.32)
Office software	1,604,820.00	394,316.67	1,203,820.00	(132,130.30)	1,466,006.37	(138,813.63)
Total	5,753,134,124.54	5,160,086,289.08	50,927,516.00	(150,735,829.79)	5,060,277,975.29	(692,856,149.25)

In 2011, the amortisation of intangible assets which also recorded in income statement was RMB150,735,829.79 (2010: RMB146,214,587.71).

14 Notes to the Company's financial statements (continued)

(8) Accounts payable

The ageing of accounts payable based on their recording dates is analysed as follows:

	31 December 2011	31 December 2010
Within 1 year (including 1 year)	41,151,194.98	79,172,737.50
Over 1 year	72,058,436.00	97,899,972.49
	113,209,630.98	177,072,709.99

(9) Borrowings and bonds payable

Borrowings and bonds payables are analysed by repayment terms as follows:

	31 December 2011		31 December 2010	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	1,448,073,500.00	3,700,000,000.00	2,251,384,843.63	2,200,000,000.00
Not wholly repayable within five years	665,000,000.00	800,000,000.00	665,000,000.00	800,000,000.00
	2,113,073,500.00	4,500,000,000.00	2,916,384,843.63	3,000,000,000.00

(10) Provisions

	31 December 2010	Current year movement	31 December 2011
Provisions for maintenance/resurfacing obligations	632,629,231.75	(232,986,482.19)	399,642,749.56
Less: current portion	-	(43,532,832.03)	(43,532,832.03)
	632,629,231.75	(276,519,314.22)	356,109,917.53

(11) Revenue and cost of services

	2011	2010
Revenue from main business (a)	967,988,704.23	896,701,915.33
Revenue from other business (b)	153,735,120.74	97,206,454.61
	1,121,723,824.97	993,908,369.94
Cost from main business (a)	98,925,974.73	471,592,403.13
Cost from other business (b)	37,093,025.21	36,352,531.62
	136,018,999.94	507,944,934.75

14 Notes to the Company's financial statements (continued)

(11) Revenue and cost of services (continued)

(a) Revenue and cost of services from main operation

	2011		2010	
	Revenue from main business	Cost from main business	Revenue from main business	Cost from main business
Revenue from toll road	967,988,704.23	98,925,974.73	896,701,915.33	471,592,403.13

The Company's revenue from toll road is all generated from Shenzhen region.

(b) Revenue and cost of services from other businesses

	2011		2010	
	Revenue from other businesses	Cost from other businesses	Revenue from other businesses	Cost from other businesses
Management services revenue	148,675,406.50	34,691,575.28	90,934,754.06	34,020,073.96
Other revenue	5,059,714.24	2,401,449.93	6,271,700.55	2,332,457.66
	153,735,120.74	37,093,025.21	97,206,454.61	36,352,531.62

(c) Revenue from the five largest customers of the Company

Regarding of the nature of the Company's revenue, except for revenue from toll road, revenue from the five largest customers of the Company with an amount of RMB146,841,365.22 (2010: RMB93,511,992.85) accounted for 13.09% (2010: 9.40%) of the total revenue of the Company and is analysed below:

	Revenue	% of total revenue
Management services revenue of Coastal Project	96,664,263.59	8.62%
Management entrustment fees of Baotong Company	22,014,011.40	1.96%
Management services revenue of Wutong Mountain Project	16,369,330.82	1.46%
Management services revenue for Nanping (Phase II) Project	10,328,863.41	0.92%
Rental income for billboard from Advertizing Company	1,464,896.00	0.13%
	146,841,365.22	13.09%

14 Notes to the Company's financial statements (continued)

(12) Financial expenses - net

	2011	2010
Interest expense	243,554,777.64	220,162,348.93
Including: Interest expenses from borrowings	114,918,323.68	138,896,978.04
Interest expenses from bonds payable	128,636,453.96	82,613,312.42
Capitalised interests	-	(1,347,941.53)
Time value of provision for maintenance/resurfacing obligations	32,869,655.64	29,567,908.12
Less：interest income	(12,478,268.84)	(12,473,948.35)
Exchange gains	(44,138,577.92)	(37,539,984.04)
Others	4,180,639.93	3,080,910.58
	223,988,226.45	202,797,235.24

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	2011		2010	
	Bank borrowings	Other borrowings	Bank borrowings	Other borrowings
Borrowings and bonds payable wholly repayable within five years	77,781,398.68	128,636,453.96	101,760,053.04	82,613,312.42
Borrowings and bonds payable not wholl repayable within five years	37,136,925.00	-	37,136,925.00	-
	114,918,323.68	128,636,453.96	138,896,978.04	82,613,312.42

(13) Investment income

	2011	2010
Income from long-term equity investments under cost method	274,916,587.27	400,980,094.29
Income from long-term equity investments under equity method	127,701,980.00	181,406,268.55
	402,618,567.27	582,386,362.84

(a) Investment income from long-term equity investments under cost method

Investees that contributed investment income for more than 5% of the Company's total profit, or the top five investees that contributed most investment income to the Company's total profit are set out as follows:

	2011	2010	Reason for current year fluctuation
Airport-Heao Eastern Company	189,361,788.60	211,949,306.58	Decrease in toll road revenue and increase in cost of services
Meiguan Company	85,554,798.67	189,030,787.71	Increase in cost of service because of road surface maintenance of the south section of Meiguan Expressway
	274,916,587.27	400,980,094.29	

14 Notes to the Company's financial statements (continued)

(13) Investment income (continued)

(b) Investment income from long-term equity investments under equity method

Investees that contributed investment income for more than 5% of the Company's total profit, or the top five investees that contributed most investment income to the Company's total profit are set out as follows:

	2011	2010	Reason for current year fluctuation
Qinglong Company	63,516,542.50	95,172,599.94	Toll road revenue decreased while cost of services and financial expenses increased.
Yangmao Company	34,511,475.94	19,869,231.99	Toll road revenue increased.
Guangyun Company	16,771,478.14	9,731,929.69	Toll road revenue increased.
GZ W2 Company	6,528,008.72	21,510,567.78	A deferred tax asset was recognised on the deductible tax losses.
Jiangzhong Company	3,665,016.69	12,136,344.41	A deferred tax asset was recognised on the deductible tax losses.
	124,992,521.99	158,420,673.81	

(14) Income tax expenses

	2011	2010
Current income tax calculated according to tax law and related regulations	110,688,790.50	88,767,488.01
Deferred income tax	43,343,586.84	(54,908,099.28)
	154,032,377.34	33,859,388.73

The reconciliation from income tax calculated based on the applicable tax rates and profit before tax presented in the financial statements to the income tax expense is listed below:

	2011	2010
Profit before tax	1,038,655,409.90	774,938,312.49
Income tax expenses calculated at applicable tax rate of 24% (2010: 22%)	249,277,298.38	170,486,428.75
Effect of different tax rate applied for deferred tax calculation	2,329,864.82	(6,087,362.73)
Income not subject to tax	(99,081,433.97)	(130,275,189.08)
Expenses not deductible for tax purposes	1,878,045.02	75,958.98
The deduction of the amortisation of transaction costs of convertible bonds	(371,396.91)	(340,447.19)
Income tax expenses	154,032,377.34	33,859,388.73

14 Notes to the Company's financial statements (continued)

(15) Supplementary information to cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2011	2010
Net profit	884,623,032.56	741,078,923.76
Add: Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	61,140,271.15	61,558,500.87
Amortisation of intangible assets	150,735,829.79	138,081,260.58
Amortisation of long-term prepaid expenses	914,778.12	618,602.09
Losses/(gains) on disposal of fixed assets	53,879.25	(4,429,942.73)
Financial expenses	223,988,226.45	202,797,235.24
Investment income	(402,618,567.28)	(582,386,362.84)
Decrease/(increase) in deferred tax assets	43,343,586.84	(54,908,099.28)
Decrease in inventories	223,233.46	336,945.60
Increase in operating receivables	(224,158,638.99)	(73,018,991.45)
(Decrease)/increase in operating payables	(13,657,686.89)	131,380,613.10
Provisions charged into cost of services	(258,096,309.86)	156,416,185.88
Net cash flows from operating activities	467,067,334.60	718,100,570.82

(b) Net change in cash

	2011	2010
Cash at the end of the year	1,412,201,859.12	271,860,517.58
Less: cash at the beginning of the year	(271,860,517.58)	(267,620,834.19)
Net decrease in cash	1,140,341,341.54	4,239,683.39

(c) Cash and cash equivalents

	31 December 2011	31 December 2010
Cash at bank and on hand	1,419,918,726.44	568,822,519.87
Less: Restricted bank balances (Note 5(1))	(7,716,867.32)	(21,962,002.29)
Pledged fixed deposits (Note 5(1))	-	(275,000,000.00)
Cash at the end of the year	1,412,201,859.12	271,860,517.58

15 Net current assets

	Group	
	31 December 2011	31 December 2010
Current assets	2,706,793,546.66	1,182,404,302.92
Less: current liabilities	(2,551,402,282.81)	(2,569,202,415.27)
Net current assets/(liabilities)	155,391,263.85	(1,386,798,112.35)

	Company	
	31 December 2011	31 December 2010
Current assets	1,923,905,002.48	849,534,339.40
Less: current liabilities	(1,102,540,830.30)	(1,649,468,757.88)
Net current assets/(liabilities)	821,364,172.18	(799,934,418.48)

16 Total assets less current liabilities

	Group	
	31 December 2011	31 December 2010
Total assets	24,608,792,701.94	23,049,966,818.70
Less: current liabilities	(2,551,402,282.81)	(2,569,202,415.27)
Total assets less current liabilities	22,057,390,419.13	20,480,764,403.43

	Company	
	31 December 2011	31 December 2010
Total assets	15,526,417,253.92	14,589,881,502.24
Less: current liabilities	(1,102,540,830.30)	(1,649,468,757.88)
Total assets less current liabilities	14,423,876,423.62	12,940,412,744.36

Supplementary Information

1 **Detailed list of non-recurring profit or loss items**

2 **Return on net assets and earnings per share**

3 **Explanations of significant fluctuations and related reasons on major items of the financial statements of the Group**

Supplementary information
For the year ended 31 December 2011
(All amounts in RMB unless otherwise stated)

1 Detailed list of non-recurring profit or loss items

	2011	2010	Note
Profits from entrusted management services	20,779,025.37	14,292,882.10	Profits from entrusted management services provided to Longda Company in current year.
The amortisation of compensation provided by concession grantor	12,776,796.62	12,190,816.43	The amortisation of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognised in current year according to traffic volume method which disclosed as a deduction of the amortisation of the related concession intangible assets.
Other profit or loss items that meet the definition of non-recurring profit or loss	510,735.17	2,476,769.33	The net amount of other non-recurring profit and loss.
	34,066,557.16	28,960,467.86	
Impact of income tax (2011: 24%, 2010: 22%)	(6,320,971.76)	(6,399,424.49)	Tax impact of the non-recurring profit and loss.
Impact of minority interests (after tax)	(15,908.51)	(62,900.11)	
	27,729,676.89	22,498,143.26	

Basis for preparation of detailed list of non-recurring profit or loss items

Under the requirements in Explanatory announcement No. 1 on information disclosure by companies offering securities to the public – non-recurring profit or loss [2008] (‘Explanatory announcement No.1’) from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making proper judgments on the performance and profitability of an enterprise.

Pursuant to the Explanatory Announcement No.1, the current period net profit earned by the subsidiary acquired through business combination under common control from the beginning of the year to the combination date is defined as a non-recurring profit or loss item. As mentioned in Note 4(3), there was one business combination involving enterprises under common control in 2011. As the Company has recognised 55% of net profit of JEL Company using equity method before the combination, the business combination has no impact on the net profit attributable to owners of the Company. Therefore, the Company did not reclassify the current period net profit of JEL Company earned from the beginning of the year to the combination date as a non-recurring profit or loss item.

2 Return on net assets and earnings per share

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2011	2010	2011	2010	2011	2010
Net profit attributable to ordinary owners of the Company	9.84%	8.89%	0.401	0.342	0.401	0.342
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	9.52%	8.62%	0.389	0.332	0.389	0.332

3 Explanations of significant fluctuations and related reasons on major items of the financial statements

The significant items with fluctuations over 30% (including 30%) are analysed as below:

		31 December 2011	31 December 2010	Increase/ (decrease)(%)
Cash at bank and on hand	1	2,175,670,176.39	874,284,396.40	148.85
Other receivables	2	194,749,864.07	35,606,441.72	446.95
Construction in progress	3	28,349,097.79	47,334,146.65	(40.11)
Deferred tax assets	4	60,149,197.95	105,517,561.08	(43.00)
Short-term borrowings	5	137,819,000.00	734,259,800.00	(81.23)
Advances from customers	6	24,086,880.00	14,171,844.00	69.96
Interests payable	7	96,738,066.52	56,915,058.28	69.97
Dividends payable	8	7,829,353.57	-	Not applicable
Current portion of non-current liabilities	9	812,396,755.52	195,463,729.63	315.63
Bonds payable	10	4,355,649,716.83	2,807,923,750.11	55.12
Provisions	11	356,109,917.53	882,434,765.75	(59.64)
Hedging instruments	12	11,364,107.77	25,696,082.32	(55.77)

		2011	2010	Increase/ (decrease)(%)
General and administrative expenses	13	87,751,927.66	62,328,052.40	40.79
Net cash flows from financing activities	14	828,143,740.16	(933,024,916.29)	Not applicable

1. In current year, the Group increased cash on hand to mitigate the liquidity risk in view of the fact that the government further enhanced its macro-control on economy.
2. New receivable from Guizhou Longli Country Government in relation to the advances to Longli BT Project and the advances to the joint development of the project of primary development of land.
3. Qinglian Class I Highway (Liannan Section) was upgraded into expressway and the related construction in progress was transferred to fixed assets upon completion.
4. Deferred tax assets reduced due to the changes in accounting estimates in relation to the maintenances and resurfacings of toll roads.
5. Some short-term borrowings were repaid during the year.
6. Advances from advertising customers increased during the year.
7. Long-term corporate bonds with principal amount of RMB1,500 million were issued which led to an increase in interest payable.
8. The amount represented dividends payable to minority interests of JEL Company.
9. More current portion of long-term borrowings and provisions were reclassified.
10. Long-term corporate bonds with principal amount of RMB1,500 million were issued.
11. It was resulted from the reclassification to current portion and the current year deduction due to changes in accounting estimates.
12. It was resulted both from the changes in fair value of forward foreign exchange contracts and CNY/HKD cross currency interest rate swap which were used to hedge against exchange rate risk and interest rick of certain borrowings in HKD and from the reclassification to current portion.
13. Housing funds contribution were made as required by Shenzhen Government and related expenses increased.
14. New financing was obtained while the repayment of borrowings decreased.