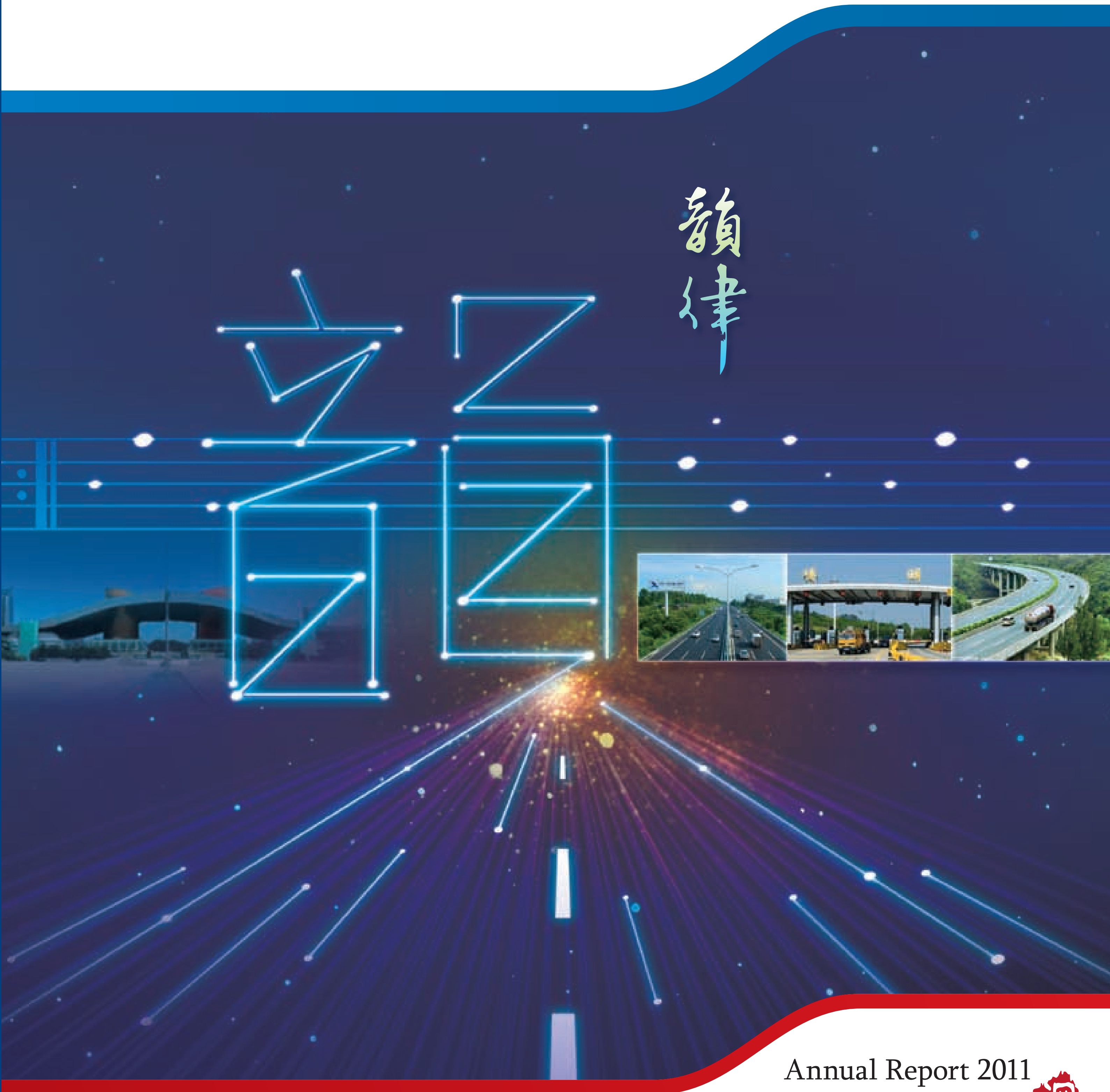
SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00548)



Annual Report 2011

深高速

共同進步　分享快樂
Advancing Together, Harvesting Together

韻味

The Chinese character "韵" can be construed as rhyming tones, which refers to the phonetic rhyme and accent. It is one of the basic elements of the rule and meter of a classical poem. The repetition of similar ending sounds in certain words that a poet applies consistently over a stanza or a poem is called rhyming. The purpose of rhyming is to produce phonological harmony as a beauty of recitation. The adoption of the character "韵" as the theme of this year infers the persistent pursuit of the Company on development in harmony.

On the other hand, the character "韵" can be interpreted as rhythm, which refers to the norm of tonal pattern and rhyming, or can further be applied to the rhythm or pattern of musical notes or a moving object. A masterpiece of music never exists unless the notes of song are subject to a certain rhythm and pattern. Similarly, an enterprise could not fulfill sustainable development in harmony until it perceives and follows its own pace and rhythm of development. Hence, the second metaphor of this year's theme reflects our understanding of the rule or rhythm of development of things.

In Chinese, the character "韵" can also be interpreted as a charm of enriched connotation with a subtle and restrained tone. On reading a richly connotated prose, the savoring and lingering charm brings us joy. With a subtle and restrained mind, one stays cool but hoist one's sail only when the wind is fair. The third metaphor of the theme for this year illustrates that, to live up with the sophisticated and volatile macroeconomic conditions, an enterprise should not only analyse the prevailing situation well, but also formulate detailed and feasible plans to respond to different scenarios and the challenge of all uncertainties.

Member of Shenzhen International Holdings Limited

CONTENTS

Important Notice

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 report, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content thereof.

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

The financial statements for the year 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.

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 this annual report.

Other notes:

1. Unless otherwise stated, the amounts stated in this annual report are in RMB.

2. The total of breakdown and the total may not equal in mantissa due to rounding.

Introduction to the Company

The Company was established on 30 December 1996. It is principally engaged in the investment, construction, operation and management of toll highways and roads.

A total of 2,180,770,326 shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively.

After over a decade's development, the Company has built a number of high-quality expressways, and also expanded its coverage to Guangdong Province and other economically developed areas in the PRC by ways of acquisition and participation. Meanwhile, the Company provides outstanding construction management and operation management services for government and other enterprises. As at the end of the Reporting Period, the Company operated and invested totally 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) is approximately 429km. The principal business structure of the Company is set out as follows:

Shenzhen Expressway Company Limited

Toll Highway Business

- ▶ Meiguan Expressway 100%
- ▶ Jihe East 100%
- ▶ Jihe West 100%
- ▶ Yanpai Expressway 100%
- ▶ Yanba Expressway 100%
- ▶ Nanguang Expressway 100%
- ▷ Shuiguan Expressway 40%
- ▷ Shuiguan Extension 40%

- ▶ Qinglian Expressway 76.37%
- ▷ Yangmao Expressway 25%
- ▷ Guangwu Project 30%
- ▷ Jiangzhong Project 25%
- ▷ GZ W2 Expressway 25%

- ▶ Wuhuang Expressway 55%
- ▷ Changsha Ring Road 51%
- ▷ Nanjing Thrid Bridge 25%

Entrusted Management Business

- Entrusted Construction Management
- Entrusted Operation Management

Other Businesses

- ▶ Advertising
- ▷ Engineering Consulting
- ▷ Inter-network Toll Collection

■ Shenzhen region
■ Other regions in Guangdong Province
■ Other provinces in the PRC

▶ Consolidated project / business
▷ Non consolidated project / business

Financial and Operational Highlights

I. Principal Financial Data

Item (Unit: RMB)	2011
Operating profit	**1,156,104,434.80**
Total profit	**1,156,615,169.97**
Net profit attributable to owners of the Company	**875,146,104.56**
Net profit attributable to owners of the Company – excluding non-recurring items	**847,416,427.67**
Net cash flows from operating activities	**1,508,130,603.41**

Note: **Non-recurring items deducted and their amounts** (Details of these items are set out in Supplementary Information for Financial Statements in Chapter XII of this annual report)

Non-recurring item (Unit: RMB)	2011	2010 (Restated)	2009 (Restated)
Profit from entrusted operation management services	**20,779,025.37**	14,292,882.10	14,218,125.00
Amortisation of compensation provided by concession grantor	**12,776,796.62**	12,190,816.43	9,503,487.10
Gains or losses arising from change in the fair value	**–**	–	(2,331,662.45)
Other non-operating income and expenses	**510,735.17**	2,476,769.33	1,911,567.88
Effect on minority interests	**(15,908.51)**	(62,900.11)	(150,361.32)
Income tax effect	**(6,320,971.76)**	(6,399,424.49)	(4,860,303.51)
Total	**27,729,676.89**	22,498,143.26	18,290,852.70

Note: **Items measured at fair value**

Item (Unit: RMB)	As at 31 Dec 2010	As at 31 Dec 2011	Change during the Period	Impact on profit for the Period
Hedging instrument (liabilities)	25,696,082.32	**12,299,445.12**	(13,396,637.20)	(42,763,899.45)

II. Financial Highlights for Five Years

1. Principal Financial Data

Item (Unit: RMB)	2011	2010 (Restated)	Change as compared to last year	2010 (Before restated)	2009 (Restated)	2009 (Before restated)	2008 (Restated)	2007 (Restated)
Revenue	**2,951,619,056.98**	2,765,300,387.03	6.74%	2,302,386,377.49	1,839,517,095.88	1,441,673,547.22	1,435,326,459.01	1,487,426,046.34
Operating profit	**1,156,104,434.80**	986,372,099.62	17.21%	854,600,713.43	698,587,081.60	567,925,479.73	671,958,431.34	837,799,381.29
Total profit	**1,156,615,169.97**	988,848,868.95	16.97%	856,984,334.61	700,498,649.48	570,158,285.56	670,989,808.58	846,751,339.82
Net profit attributable to owners of the Company	**875,146,104.56**	745,806,530.62	17.34%	745,806,530.62	540,218,648.15	540,218,648.15	503,194,685.38	606,340,229.81
Net profit attributable to owners of the Company – excluding non-recurring items	**847,416,427.67**	723,308,387.36	17.16%	723,348,347.92	521,927,795.45	521,555,159.43	491,854,793.86	584,924,172.30
Net cash flows from operating activities	**1,508,130,603.41**	1,887,289,997.80	–20.09%	1,617,361,849.38	1,011,613,543.42	779,944,975.41	1,184,345,590.61	1,018,045,932.03

Item (Unit: RMB)	As at 31 Dec 2011	As at 31 Dec 2010 (Restated)	Change as compared to the end of last year	As at 31 Dec 2010 (Before restated)	As at 31 Dec 2009 (Restated)	As at 31 Dec 2009 (Before restated)	As at 31 Dec 2008 (Restated)	As at 31 Dec 2007 (Restated)
Total assets	**24,608,792,701.94**	23,049,966,818.70	6.76%	22,616,647,065.72	22,791,226,793.05	22,208,708,939.09	18,968,382,958.76	15,442,005,742.35
Total liabilities	**14,111,405,011.76**	13,076,043,899.47	7.92%	13,281,545,805.53	13,346,052,306.74	13,342,292,303.78	10,742,089,233.34	7,348,523,859.38
Owners' equity attributable to owners of the Company	**9,204,417,052.53**	8,648,826,937.88	6.42%	8,648,826,937.88	8,177,489,879.64	8,177,489,879.64	7,004,892,599.77	6,850,609,914.39
Total share capital	**2,180,770,326.00**	2,180,770,326.00	–	2,180,770,326.00	2,180,770,326.00	2,180,770,326.00	2,180,700,000.00	2,180,700,000.00

2. Principal Financial Indicators

Item (Unit: RMB, unless otherwise stated)	2011	2010 (Restated)	Change as compared to last year	2010 (Before restated)	2009 (Restated)	2009 (Before restated)	2008 (Restated)	2007 (Restated)
Earnings per share – basic	**0.401**	0.342	17.34%	0.342	0.248	0.248	0.231	0.278
Earnings per share excluding non-recurring items – basic	**0.389**	0.332	17.16%	0.332	0.239	0.239	0.226	0.268
Earnings per share – diluted	**0.401**	0.342	17.34%	0.342	0.248	0.248	0.231	0.278
Earnings per share – on latest share capital	**0.401**	0.342	17.34%	0.342	0.248	0.248	0.231	0.278
Return on equity – weighted average (%)	**9.84%**	8.89%	Increase 0.95 pct.pt	8.89%	7.35%	7.35%	7.29%	9.43%
Return on equity excluding non-recurring items – weighted average (%)	**9.52%**	8.62%	Increase 0.90 pct.pt	8.62%	7.10%	7.10%	7.13%	10.12%
Net cash flows from operating activities per share	**0.69**	0.87	-20.09%	0.74	0.46	0.36	0.54	0.47
Interest covered multiple (Times)	**2.92**	2.75	Increase 0.17 times	2.47	2.11	1.86	2.06	3.82

Item (Unit: RMB, unless otherwise stated)	As at 31 Dec 2011	As at 31 Dec 2010 (Restated)	Change as compared to the end of last year	As at 31 Dec 2010 (Before restated)	As at 31 Dec 2009 (Restated)	As at 31 Dec 2009 (Before restated)	As at 31 Dec 2008 (Restated)	As at 31 Dec 2007 (Restated)
Net assets per share attributable to owners of the Company	**4.22**	3.97	6.42%	3.97	3.75	3.75	3.21	3.14
Debt-to-asset ratio (%)	**57.34%**	56.73%	Increase 0.61 pct.pt	58.72%	58.56%	60.08%	56.63%	47.59%
Gross liabilities-to-equity ratio (%)	**134.43%**	131.10%	Increase 3.33 pct.pt	142.28%	141.30%	150.48%	130.58%	90.80%
Net borrowings-to-equity ratio (%)	**82.99%**	89.21%	Decrease 6.22 pct.pt	100.48%	99.62%	109.40%	90.44%	65.01%

Notes:

(1) 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.

(2) Description of principal financial ratios:

Interest covered multiple = Profit before interests and tax / Interest expenses
Debt-to-asset ratio = Total liabilities / Total assets
Gross liabilities-to-equity ratio = Total liabilities / Total equity
Net borrowings-to-equity ratio = (Total amount of borrowings – Cash and cash equivalents) / Total equity

III. Operational Statistics Summary for Last Five Years

1. Average Daily Traffic Volume

Unit: number of vehicles

Project	2011	2010	2009	2008	2007
Meiguan Expressway	**118,976**	117,244	98,318	92,744	98,285
Jihe East	**118,215**	111,530	93,019	90,991	88,675
Jihe West	**99,390**	91,111	72,800	67,661	65,741
Yanba Expressway	**27,610**	24,313	16,509	13,879	12,492
Yanpai Expressway	**38,501**	39,734	33,763	31,898	26,313
Nanguang Expressway	**55,995**	50,612	32,212	16,336	N/A
Shuiguan Expressway	**124,714**	134,561	118,064	106,241	103,236
Shuiguan Extension	**31,941**	40,485	32,294	28,181	28,086
Qinglian Expressway	**21,445**	18,292	16,011	N/A	N/A
Yangmao Expressway	**23,477**	20,066	17,795	18,119	16,205
Guangwu Project	**23,089**	17,475	11,190	9,806	9,185
Jiangzhong Project	**90,270**	68,476	50,899	45,344	39,492
GZ W2 Expressway	**33,493**	28,768	14,883	9,574	6,165
Wuhuang Expressway	**37,856**	38,034	32,412	29,140	27,846
Changsha Ring Road	**9,516**	8,558	7,342	6,020	5,791
Nanjing Third Bridge	**23,293**	22,057	20,029	18,334	16,788

2. Average Daily Toll Revenue

Unit: RMB'000

Project	2011	2010	2009	2008	2007
Meiguan Expressway	**943.2**	951.4	814.0	791.8	903.0
Jihe East	**1,407.1**	1,414.7	1,242.0	1,227.3	1,150.6
Jihe West	**1,229.9**	1,169.2	951.4	937.3	945.1
Yanba Expressway	**369.3**	335.4	213.4	195.6	172.7
Yanpai Expressway	**463.8**	428.6	382.6	407.0	370.1
Nanguang Expressway	**589.0**	523.5	302.9	176.0	N/A
Shuiguan Expressway	**1,122.0**	1,229.9	1,072.4	1,006.0	964.8
Shuiguan Extension	**196.7**	250.6	202.5	178.9	181.9
Qinglian Expressway	**1,280.4**	1,036.8	829.9	N/A	N/A
Yangmao Expressway	**1,209.4**	1,094.9	967.5	902.3	913.1
Guangwu Project	**644.4**	471.9	305.7	265.0	266.0
Jiangzhong Project	**972.4**	870.2	707.2	651.8	581.8
GZ W2 Expressway	**740.0**	672.3	471.0	301.5	180.7
Wuhuang Expressway	**1,146.2**	1,268.3	1,090.0	1,017.1	1,052.0
Changsha Ring Road	**86.3**	72.8	63.6	60.5	61.6
Nanjing Third Bridge	**828.6**	782.9	672.1	640.1	629.3

2011

JAN

- The reconstruction of Liannan Section of Qinglian Project into an expressway was completed, and an expressway toll rate has been adopted. Qinglian Expressway, with total mileage of approximately 216km, has been fully opened to traffic.
- Study on the systematic technology in upgrading Qinglian Class 1 Highway won the first prize in "2010 Science and Technology Award of China Highway and Transportation Society".

MAR

- Published 2010 annual results and a net profit of RMB750 million with earnings per share of RMB0.342 was recorded.

APR

- Re-selected as "Shenzhen Well-known Brand" in the 8th selection.
- Entered into an agreement for the entrusted management of Longda Municipal Section.

MAY

- Announced the dividend for the year 2010 with a final dividend of RMB0.16 per share.

JUN

- The expansion of Shuiguan Expressway was completed.

SEP

- Entered into an entrusted construction management agreement, agreeing upon the detailed matters of the construction management of Coastal Project.

AUG

- Successfully issued five-year corporate bonds with total amount of RMB1.5 billion.
- The maintenance work on the South Section of Meiguan Expressway was completed.
- Entered into an agreement for the development of Guilong Project, which is the first time for the Group involving in the field of road construction by "build – transfer" mode and the primary development of relevant land.

NOV

- Awarded a bronze of "The Best Annual Reports Awards 2011" by the Hong Kong Management Association.

DEC

- Entered into an agreement for the renewal of entrusted management of 89.93% equity interests in Longda Company.
- The members of the sixth session of the Board and the Supervisory Committee of the Company were elected.

Chairman's Statement

Chairman's Statement

To all shareholders,

On behalf of the Board, I hereby report to the shareholders that in 2011, the Group realised revenue of RMB2,952 million and earnings of RMB875 million with earnings per share of RMB0.40. The Board recommended the payment of a final dividend of RMB0.16 per share in cash for 2011, equaling that of the last year.

YANG HAI
Chairman

15 Years' Retrospect

The year of 2011 was our 15th anniversary. 15 years are merely a short moment against the long world history, but to us, an impressively recorded history filled with collective efforts and wisdom since Shenzhen Expressway was founded.

Development in scale

The Company has made aggressive expansion and continuous development over the past 15 years. With the Company's mission of "constructing and managing high-quality expressways to enhance public transport efficiency" as our own role, the Company, solely by our management capabilities, has successfully completed the construction of high-quality expressways including Jihe Expressway, Yanba Expressway, Yanpai Expressway and Nanguang Expressway, etc. In addition, the Company has expanded its coverage to Guangdong and other domestic economically developed areas through acquisitions and participation. Qinglian Expressway, which commenced operation in 2011, has become one of the major northward channels for Guangdong Province. After 15 years of development, the mileage of the highways invested by the Company (on an equity basis) has increased to exceed 400 km from less than 100 km at early period of its inception.

In addition to toll highways investment and operation, the Company also provides the government and other enterprises with excellent entrusted construction management and operation management services for highway projects. So far, the total sale of completed and ongoing highways construction management services engaged by Shenzhen Expressway has amounted to more than RMB15 billion. Among these projects, Coastal Project contracted in 2011 is a key construction project in the "Eleventh Five-Year Plan" of Guangdong, and also another major north-south expressway in Pearl River Delta region.

Enhancement in management

We have been pondering and upgrading ourselves over the past 15 years. In term of the project construction management for years, the Company has achieved its three major management objectives in quality, schedules and costs. Meanwhile, we gathered rich experience in project construction management, resulting in wide recognition by the government and the industry. We formulated the Project Management Manual based on our experience and lessons taken, which had thus been turned into the precious wealth of the Company. As the first domestic large-scale class 1 highway upgrading reconstruction project in mountain area, Qinglian project had confronted with a lot of difficulties in respect of sophisticated construction technology and construction management. However, Qinglian Company had overcome all such difficulties and made a series of major innovations, many of which reached international advanced standard and were granted various provincial and ministerial awards.

"Enhancing public transport efficiency" is one of the Company's core values. In order to realise it, the Company has actively promoted inter-network toll collection, electronic toll collection system and peak traffic response and diversion system, and established the database of highway network traffic distribution and vehicle model structure with advanced technologies, to consistently meet public transport demand. Regarding the road maintenance, the Company has introduced the road maintenance management concept of "maximising the maintenance benefits for the whole operation period", adopted innovative maintenance technologies and optimised our maintenance programs to effectively reduce the overall maintenance costs of highways.

In the past 15 years, Shenzhen Expressway was also exploring the appropriate corporate governance and internal management mode along with its vast growth. The Company has being committed to maintain high standard of governance practices to promote sound and steady development. The name Shenzhen Expressway appeared frequently on lists of corporate governance awards respectively published by SSE, Hong Kong Institute of Directors, Hong Kong Institute of Certified Public Accountants and Hong Kong Management Association, etc. In recent years, the Company continued to strengthen the internal control system and adopted excellent performance management mode, and was granted the "Shenzhen Mayor's Quality Award" which is the top award in the field of quality management in Shenzhen. After all, these honors only indicate the past achievement, while continuously seeking a fine corporate governance and internal management mode will shape the corporate practices and culture for the Company in the future.

Business expansion

We have always been prepared for the worse or any challenges, and continued to explore for growth opportunities over the past 15 years. Compared with other provinces, the mileage of expressways available for planning and construction are limited in Shenzhen. Since its incorporation, the Company has been seeking opportunities to invest in toll highways in other economically developed regions, in order to expand further rooms for development. In the meantime, we had run into hardship. Despite that, now the mileage of the highways invested by the Company (on an equity basis) outside of Shenzhen region has exceeded two-thirds of the Company's total highway mileage.

In addition to geographical expansion, the Company also pursues sustainable development. In 2001, the Company began to undertake entrusted construction management business, and through the provision of our management experience and related human resources, we helped the owners to effectively control quality, schedules and costs of projects. At the same time, we gained reasonable revenue and return. In the latest "2010-2014 Development Strategies", the Company clearly stated its development direction as "actively exploring and attempting for new industry investment". We will study and attempt for industries and businesses related to toll highways industry and the Company's core business capability, in order to seek new opportunities for the Group's long-term development.

In 2011, the Company contracted and commenced Guilong Project, and for the first time, stepped into the business area of road construction by "build – transfer" mode and the primary development of relevant land. However, we are still learning as a student in this business area, and need solid practice through specific project so as to comprehend and explore the business model and sustainability in this field, which is for a reasonable and final judgment and decision making on the Group's development direction at strategic level. Today, we have merely moved a tiny step, but we might see the significance and value it brings to the Company if we trace back some years later.

Development Strategy

Chinese economy is undergoing a rapid development with the national macroeconomic policy aiming to promote healthy and stable economic growth. Generally, this situation will have a favorable impact on the development of various industries. However, for a specific industry, its growth rate might be higher or lower than the overall national economic growth in different times, depending on the impact of such factors as industry policy, competition and synergy, price and demand elasticity, cost and technological upgrade and so on, resulting in a wavy forward and spiral upward trend of development. Back to the micro-economic view, an enterprise needs to perceive and follow the pattern of industry development, and take advantage of the trend so as to resonate with the rhythm of environment and accordingly, achieve its own sound development.

In the past decade, Shenzhen Expressway capitalised on the historic opportunity of the rapid development of toll highway industry and made its own faster growth accordingly. While in recent years, with the rising cost of land requisition, demolition and relocation as well as construction, the yield from new projects showed a significant downward trend. Further, the government, based on overall considerations, introduced certain new administrative measures, which brought pressure and challenges to those projects already in operation. Besides, the highway network has being improved steadily, and it might possibly cause traffic diversion by phases, as well as led to more uncertainties in management and difficulties in coordination. Moreover, under the network toll management mode, the relevant operators are increasingly relying on external information systems for their respective business operation. In view of this, we have clearly stated in the new development strategy that, the development of the Company will be adjusted from the extensive scale expansion mode to the connotative mode with emphasis on the balance of efficiency and scale, in order to increase the overall return on assets of the Company. We believe that, by catching up with the beat of the industry development and hence making appropriate adjustments to development strategy, we can develop more effectively, as if by adjusting the body movement and strength according to the musical rhythm, the dancer on stage can make the music sounds more melodic and the dance enjoyable.

Once the development strategy of an enterprise is fixed, effective implementation is necessary for the blueprint to be realised. On implementing its development strategy, an enterprise needs to make full use of resources for the success, and meanwhile, it has to respond to various known and unknown uncertainties in the sophisticated and ever-changing environment. Having an overall vision to embrace the future, and making preparations to perform well. The value and charm of management thus lies in making comprehensive assessment on uncertainties in the future and making proper preparations and contingency plan at reasonable cost.

Confronted with the uncertainty of highway network traffic flow, the Company has developed a more stringent emergency and diversion plan. In response to the uncertainty of project construction cost, we have made a more detailed survey design and launched a more efficient contracted and on-site management. Also, to deal with the uncertainty in investment projects' operating performance, we have adopted more cautious price adjustment assumptions and sensitivity analysis. Facing the uncertainty in financing, we have adopted a more secure financial strategy to ensure liquidity. As for the uncertainty in business development, we have taken a more cautious approach to conduct a full range of risk assessment and drills. Of course, an overly conservative approach might make us miss some opportunities, and onerous preparations would merely incur higher management costs. The Company needs to properly assess not only the impact of uncertainties, but also the effects of those responsive measures and the related opportunity cost. On the performance stage, the most popular and successful performance is often the subtle and fine-balanced one of artistes. Similarly, we believe in the delicate balance between opportunity costs and contingency plans.

Acknowledgements

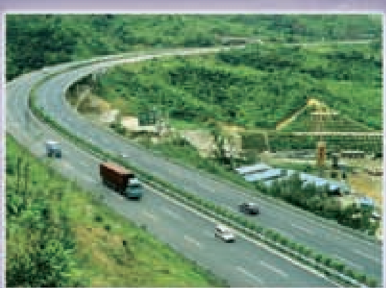
On behalf of the Company, I would like to express my gratitude to our shareholders and various friends for their immense support to the Group, to our Directors, Supervisors and the management for their witful contribution to the Group, and to all the staff for their dedication and hard work for the development of the Group. Our achievement and wealth lies in the past, while our treasure in the future. In the past years, with passions and courage we achieved brilliant results. At this 15th anniversary, I believe that, Shenzhen Expressway will continue to create history by ongoing development in harmony based on the committed goal and high morale of the Company.

Yang Hai
Chairman

Shenzhen, PRC, 28 March 2012

Management Discussion & Analysis

韻律



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:

			Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
Toll highway	Percentage of interests held by the Group	Percentage of revenues consolidated	**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%
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. For details, please refer to "Enhancement of Business" below.

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:

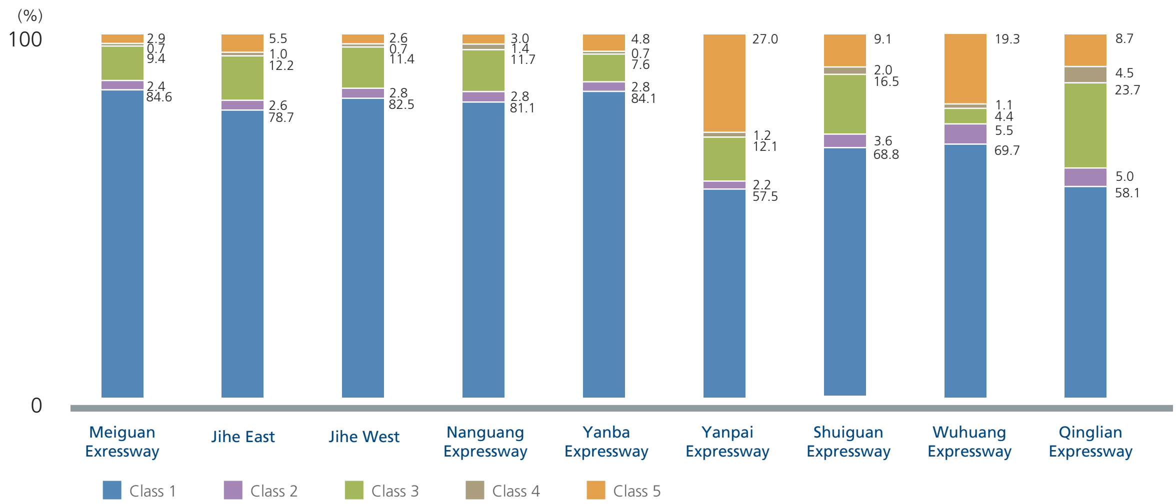
Qinglian Expressway: The expressway operation of Liannan Section of Qinglian Project improved the traffic conditions of the project itself and increased the toll mileage of Qinglian Expressway, having positive effect on the operational performance of this project. In addition, Yifeng Expressway (Fengtouling, 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.

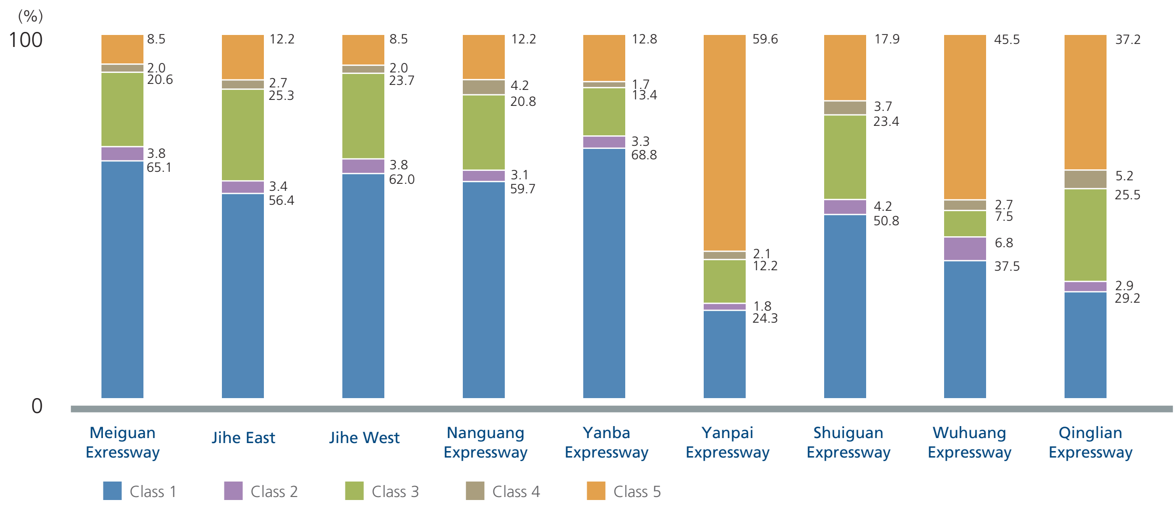
Wuhuang Expressway: Affected by a combination of factors including the change on surrounding road network such as the opening to traffic of Mawu Expressway, and traffic control measures implemented in Wuhan, the average daily toll revenues of Wuhuang Expressway recorded a YOY drop in 2011. In January 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.

There was no substantial charge on the vehicle category for each major highway project of the Group in 2011 as compared to that of last year. The following diagram shows the vehicles category of major highway projects of the Group during the Reporting Period:

Vehicle Category of Major Highways – by Traffic Volume



Vehicle Category of Major Highways – by Toll Revenue



3. *Enhancement of Business*

During the Reporting Period, the Group adopted the following major measures to enhance the overall operational performance of the Group:

Take various marketing and management measures to attract traffic: The Group attached emphasis on the analysis and research on the traffic flow of the road network, and, based on the results, carries out targeted marketing activities. During the Reporting Period, the Group comprehensively re-organised and modified the road signs on all highways and relevant local roads to provide clear guidance to road users and thus attract more traffic flow. Based on the respective functions, positions and characteristics of Qinglian Expressway, Nanguang Expressway and Yanpai Expressway, we visited the industrial areas, transportation stations, tourist attractions, passenger and freight transport enterprises and organisations along the expressways, and the operators of connecting highways, and launched targeted marketing activities, to achieve win-win situation through cooperation. In addition, we have co-operated with such media as press, radio, television, and designed and distributed drivers' guides to help the public to get familiar with the layouts, the functional positioning and the routes of the projects. Responding to the decline of traffic flow on Wuhuang Expressway resulting from the change of road network, Magerk Company on one hand reinforced its efforts in promoting the project to highlight the line location advantage of Wuhuang Expressway, and on the other hand, enhanced and upgraded the toll collection communication system and commenced operating the vehicle identification stations so as to improve the management on sorting toll revenues and to cope with the new challenges brought by the changes in road networks.

Strengthen peak-hour traffic divergence and emergency management, and improve traffic capacity: With the increasing traffic volume, the Group faced more challenges in terms of traffic capacity at its toll stations. Therefore, the Company have established and operated a peak-hour traffic divergence and emergency response management system, with graded response system applied to emergency response, in order to realise the computing and whole process management and control from peak-hour traffic flow forecast, to efficient lane traffic scheduling, resource allocation, contingency plans organisation, central command and deployment, and post-assessment. By implementation of this system and continuous adjustment and improvement in practice, the Company has effectively exploited the potential of existing resources to ensure the traffic capacity of highways and facilitate the growth of traffic flow and revenues. In addition, some toll stations on Qinglian Expressway have been expanded, effectively enhancing its traffic capacity.

Enhance road maintenance to ensure highway traffic safety: The Group conducts regular checks and routine inspections on the highways to timely monitor highway conditions and safety hazard, and adopts measures to eradicate or remedy any detected hazards or carries out maintenance and repair works to maintain the quality, safety and smoothness of the roads. According to the actual need of operation, a number of slops and ramps on Qinglian Expressway have been reinforced, in order to provide road users with a perfect route. In terms of long-term planning for road maintenance, the Group has completed the preventive maintenance program in Shenzhen region which would change the traditional passive maintenance to preventive maintenance, in order to achieve the objective of "maximising maintenance benefits for the whole operation period". The Group has also established the maintenance management mode according to the actual situation of Qinglian Expressway, and planned and established a standardised maintenance area, to enhance project defect detection and the pre-maintenance for early detected road hazard.

Question:

What is Preventive Maintenance?

Answer:

According to traditional concept of road maintenance, when a road and its alongside facilities are largely damaged, it is required to carry out periodic comprehensive repairs to fully restore the road to its original technical standards, and this is also commonly known as "overhaul". Preventive maintenance is to carry out maintenance works when road surface structure is still sound or at the early stage of damage, in order to avoid deterioration of road conditions to ensure the roads to meet the approved usability requirement and the approved technical and design standards, and also extend the lives of the roads. The maturity of new technologies provides necessary technology for the practice of preventive maintenance concept. Compared to traditional "overhaul", the preventive maintenance has such characteristics as shortened maintenance cycle, increase frequency of maintenance works with smaller areas for individual maintenance work which is conductive to cost control and reduces the interference with road operation, and is generally more scientific and reasonable.

4. *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.

Question:

What principle the Company is based on making toll highway investment? Does the Company have any investment plans on toll highway projects currently?

Answer:

The Group is mainly engaged in the operation of toll highways. Based on the principles of defined investment, the Group will continue to seek opportunities to make investment on high quality projects. Under these principles, the Company will not make investment on toll highway projects under construction outside Shenzhen and the returns of capital of such invested projects shall meet the requirements under the Company's strategies. In Shenzhen, the Company has the first rights of refusal in developing the Outer Ring Expressway, which is the last planned expressway in Shenzhen. Following the integration of Shenzhen-Dongguan-Huizhou, the line location advantage of the highway will become clearer. However, as the investment and construction cost of the project is high, the Company will modify the design plans and the mode of investment, and seek support from the government, and will make its investment decisions upon full consideration of the returns of capital of the project and the capability of the financial resources of the Company. Except the reconstruction or expansion projects as disclosed, the Company currently does not have any investment plans on any toll highway projects.

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 entrusted construction agreement for Coastal Project and the revenues and profit of the Company's entrusted construction management business for the Reporting Period, please refer to Chapter VI and the Section 2 Financial Analysis in this Chapter of this annual report respectively.

In addition, the Company has also undertaken the entrustment of operation management of Longda Project by way of equity management. For details of the agreement and the profit thereof, please refer to the Chapter VI and the Section 2 Financial Analysis in this Chapter of this annual report.

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.

3. *Other Businesses*

Advertising company, which is wholly owned by the Company, is engaged in the businesses of billboard leasing, advertising agency, design production and related services, primarily utilising land-use rights alongside the Group's toll highways and toll stations. During the Reporting Period, while fully leveraging on existing advertising resources to seek potential profit opportunity, Advertising Company has acquired a number of billboards in or outside Shenzhen and improved its competitive edges by putting more efforts on acquisition of high-quality outdoor advertising resources. To enhance its operation strength, Advertising Company has increased its registered capital from RMB2 million to RMB30 million, and relevant procedures for capital increase have been completed. In 2011, advertising Company has recorded a revenue of RMB78,759,000 and net profit of RMB23,020,000 respectively, representing increases of 57.97% and a 40.54% as compared to those in 2010.

The Company has established Consulting Company, with certain engineering and technical personnel as shareholders, to develop businesses such as project management consultancy, survey, design, engineering supervision, construction costs consultancy, tendering agency and test and inspection. During the Reporting Period, Consulting Company has completed its capital increase, and the percentage of interests held by the Company in Consulting Company decreased from 30% to 24%, but the Company is still the largest shareholder of Consulting Company. In 2011, Consulting Company recorded revenue of RMB158,795,000, and the profit attribution to the Group was RMB2,822,000, respectively representing increases of 29.39% and a 27.56% as compared to those in 2010.

The Company currently owns 30 million shares in Guangdong UETC, representing approximately 18.02% of the total issued shares of Guangdong UETC. Guangdong UETC is mainly engaged in the electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sale of related products. Through the investment in Guangdong UETC, the Company is able to participate in the highway inter-network toll collection business in Guangdong Province, which enables the Company to timely understand the relevant policies and information, and consolidates the Company's position in the toll highway industry in Guangdong Province.

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. For the impact of provisions for maintenance/resurfacing obligations, please refer to point 6 of "Analysis of Operating Results" below for details.

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 "Changes in Accounting Estimates" 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 "Changes in the Scope of Consolidated Financial Statements" below and note 4(3) to the Financial Statements in Chapter XII of this annual report.

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:

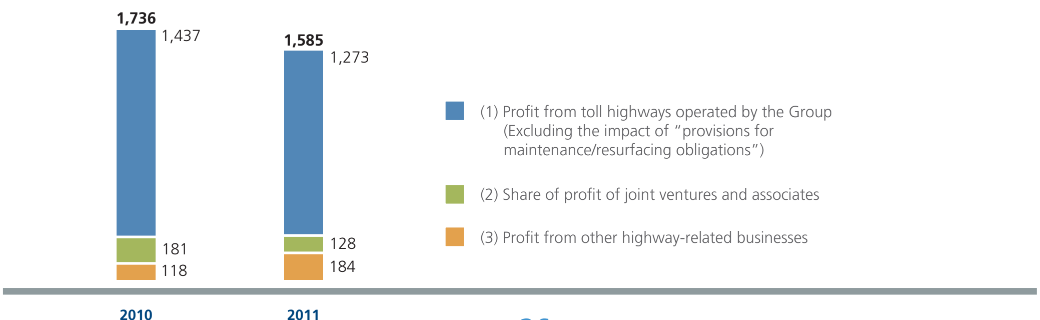
Operating revenue item	**2011 (RMB'000)**	Percentage of total	2010 (RMB'000) (restated)	Percentage of total	Change
Toll revenue	**2,715,562**	92.00%	2,615,465	94.58%	3.83%
Management services income (Note)	**149,371**	5.06%	90,935	3.29%	64.26%
Other income (including income from advertising service)	**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 revenue		Cost of services (Note)		Gross margin of toll highway		Profit before interests, tax and general and management expenses (Note)	
Toll Highway	Percentage of interests held	**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 Section 1 Business Review in this Chapter.

◆ 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 revenue		Cost of services of toll highway		Gross margin of toll highway		Investment income of the Group (Note)	
Toll highway	Percentage of interests held	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. Details are set out in notes 5(30)b(i) and 7(5)a(ii) to the Financial Statements of Chapter XII of this annual report.

- 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. Details are set out in note 5(30)b(i) to the Financial Statements of Chapter XII of this annual report.

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. Details of the Group's applicable income tax rate and income tax expenses for current year are set out in notes 3 and 5(36) to the Financial Statements of Chapter XII of this annual report respectively.

Question:

How much is the corporate income tax rate applicable to the Group currently?

Answer:

The corporate income tax rates applicable to the Company and its subsidiaries vary with the place of registration and the time of establishment. The corporate income tax rate applicable to the Company, Meiguan Company, Jihe East Company, Magerk Company and Advertising Company was 15%. According to the tax law and the relevant regulations, the income tax rate of these companies was gradually increased to 25% over a five-year period from 2008 to 2012. The rate was 24% in this year (2010: 22%). Qinglian Company are enjoying the "2-year Free and 3-year Half" preferential tax policy. The preferential period commenced from 2008, the current applicable tax rate is 12%. Save as above-mentioned companies, the corporate income tax rate applicable to other subsidiaries for the year is 25%.

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:

	Impact of provisions for maintenance/ resurfacing obligations (RMB'000)	
Item	**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. Details of changes in accounting estimates regarding provisions for maintenance/resurfacing obligations are set out in note 2(29) to the Financial Statements of Chapter XII of this annual report.

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. Details on this accounting policy and accounting estimates are set out in notes 2(17)(a) and 2(28)(a) to the Financial Statements of Chapter XII of this annual report. 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. Figures for reference calculated for various toll highways for the Reporting Period is as follows:

		Amortisation amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of interests (RMB million)	
Toll highway	Percentage of interests held	**Units-of-usage method 2011**	Units-of-usage method 2010	[1] Straight-line method	**2011**	2010
Meiguan Expressway	100%	**46**	46	36	**10**	10
Jihe East [3]	100%	**159**	160	155	**4**	6
Jihe West	100%	**41**	39	28	**13**	11
Yanpai Expressway	100%	**39**	37	47	**-8**	-11
Yanba Expressway	100%	**43**	39	69	**-26**	-30
Nanguang Expressway	100%	**41**	37	85	**-44**	-49
Wuhuang Expressway	55%	**90**	101	89	**1**	7
Changsha Ring Road	51%	**17**	14	18	**-1**	-2
Shuiguan Expressway [4]	40%	**55**	50	69	**-6**	4
Shuiguan Extension	40%	**21**	22	24	**-1**	-1
Yangmao Expressway	25%	**73**	71	90	**-4**	-5
Guangwu Project	30%	**58**	43	57	**–**	-4
Jiangzhong Project	25%	**108**	94	128	**-5**	-9
GZ W2 Expressway	25%	**57**	53	111	**-14**	-15
Nanjing Third Bridge	25%	**72**	66	111	**-10**	-11
Sub-total					**-91**	-99
Qinglian Expressway [2]	76.37%	**124**	N/A	362	**-181**	N/A
Total					**-272**	-99

Notes:

(1) Assuming the book values of the intangible assets are amortised evenly over the allowed operating periods granted by the concession grantors.

(2) The Liannan Section of Qinglian Project has just been completed in the first quarter of 2011 and the differences due to this project were not included for 2010.

(3) The amortisation amount of concession intangible assets of Jihe East Company for the Reporting Period included the amortisation of premium (Units-of-usage method: RMB111 million, straight-line method: RMB112 million).

(4) As the expansion of Shuiguan Expressway was completed in late July 2011, the value of concession intangible assets was then increased and the amortisation amount calculated by the straight-line method was re-calculated accordingly.

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. For details thereof, please refer to note 5(24) to the Financial Statements in Chapter XII of this annual report.

5. *Contingencies*

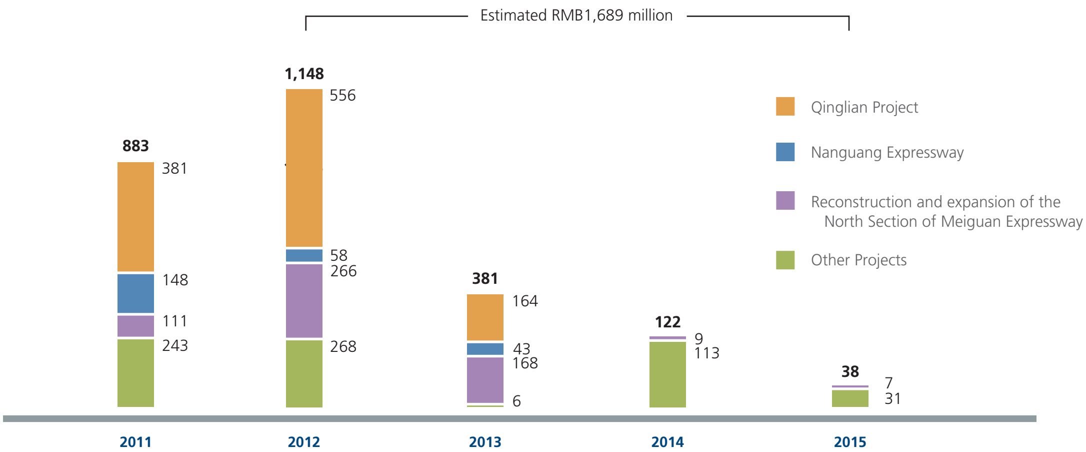
Details on the Group's contingencies during the Reporting Period are set out in note 8 to the Financial Statements in Chapter XII of this annual report.

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)



Question:

The Group's major construction projects have gradually completed, and why does the Group have capital expenditures of approximately RMB1.7 billion in the future? Does the Group has any other significant investment or expenditure plan?

Answer:

The future capital expenditures of the Group mainly include the remaining investment of Qinglian Project and Nanguang Expressway, as well as the required funds for the reconstruction and expansion of Meiguan Expressway. Generally, being affected by various reasons, such as the agreed settlement period under construction contracts, procedures of testing and inspection and liability period of defects and so on, the actual payment of projects fund may vary from the actual progress of the projects.

According to the approval of the Board and the Group's business plan, the Group has undertaken the construction and development of Guilong Project and the Group will carry out the maintenance and repair works of Jihe East in 2012. The funds for these projects are not included in the Group's capital expenditure plan, according to the nature of the funds and the requirements of relevant accounting standards.

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.

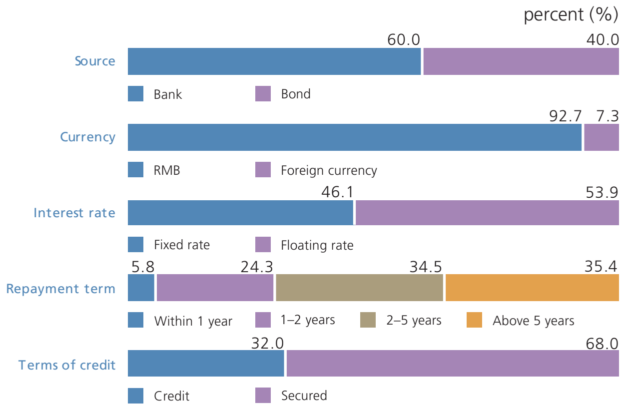
3. *Financial Strategies and Financing Arrangements*

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:

Borrowing Structure (As At 31 December 2011)



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.

Question:

The Company reduced the cost of capital by using various means of financing, such as issuing bonds. How is the effect?

Answer:

Over the recent years, the Group used issuing bonds and other means of financing to proactively cope with the liquidity risk and the fluctuation risk of interest rate. As at the end of the Reporting Period, outstanding bonds payable and bills payable of the Group amounted to RMB4.5 billion, including:

	Amount issued	Time of issuing	Term of bonds	Nominal interest rate
Bonds with Warrants	1,500 million	October 2007	6 years	1%
Long-term corporate bonds	800 million	July 2007	15 years	5.5%
Long-term corporate bonds	1,500 million	August 2011	5 years	6.0%
Medium-term notes	700 million	March 2010	3 years	4.47%

The issuing of these bonds and notes effectively optimised the Group's borrowing structure and maintained the Group's composite borrowing costs at a reasonable level.

IV. Changes in Accounting Estimates

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. Details on the changes in accounting estimates relating to the Group's provision for maintenance/resurfacing obligations are set out in note 2(29) to the Financial Statements in Chapter XII of this annual report.

V. Changes in the Scope of Consolidated Financial Statements

1. The Subsidiaries Acquired by Establishment

During the Reporting Period, the Company has established Investment Company and Guishen Company. Thus the financial statements of those companies have been consolidated into those of the Company. The particulars of Investment Company and Guishen Company are set out below:

Company	Percentage of interests held	Registered capital (RMB'000)	**31 December 2011 Net asset (RMB'000)**	**2011 (Net loss) (RMB'000)**	Principal business scope
Investment Company	100%	200,000	**197,629**	**(2,371)**	Entities investment and project construction, holding 70% interests in Guishen Company
Guishen Company	70%	500,000	**199,442**	**(558)**	Investment, construction and management of highways and urban and rural infrastructures

2. Business Combinations Involving Entities under Common Control

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 (the "combination date"), 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.

The financial data of the JEL Company for the Reporting Period and comparable period are set out below. For details, please refer to note 4(3) to the Financial Statements in Chapter XII of this annual report.

JEL Company	Combination date (RMB'000)	**31 December 2011 (RMB'000)**	31 December 2010 (RMB'000)
Total assets	1,309,753	**1,407,661**	1,659,554
Total liabilities	236,459	**251,808**	239,950

	From 1 Jan 2011 to the combination date (RMB'000)	**2011 (RMB'000)**	2010 (RMB'000)
Revenue	212,951	**430,870**	478,171
Cost of service	105,386	**204,852**	215,170
Cash flows from operating activities	120,594	**233,699**	269,928
Net cash flow	24,257	**112,578**	10,180

VI. Particulars of Major Holding Companies and Participating Companies

Units: RMB'000 unless otherwise stated

			31 December 2011		2011		
Company	Percentage of interests held	Registered capital (in thousands)	**Total assets**	**Net assets**	**Revenue**	**Net profit/ (Net loss)**	Principal business scope
Meiguan Company	100%	332,400	**857,283**	**654,107**	**344,501**	**85,555**	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	**2,971,495**	**1,939,642**	**515,394**	**189,362**	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK$795,381	**1,389,574**	**1,067,481**	**–**	**52,602**	Indirectly holding 25% interests in Qinglian Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,105,960	**9,849,858**	**3,161,884**	**474,645**	**(151,640)**	Construction, operation and management of Qinglian Expressway and Qinglian Class 2 Road and auxiliary facilities
JEL Company/ Magerk Company	55%	US$28,000	**1,407,661**	**1,155,853**	**430,870**	**178,648**	JEL Company: investment holding (holding 100% interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	40%	324,000	**2,081,783**	**479,394**	**413,537**	**158,791**	Development, construction, toll collection and management of Shuiguan Expressway

For the operating and financial performance of the major holding companies and participating companies mentioned above and the toll highways operated by the aforesaid companies during the Reporting Period, please refer to Section 1 Business Review in this Chapter and other relevant parts of this section.

Risk Management

The risks threatening to an enterprise refer to the impact of future uncertainties on achieving its business objectives. Enhancing risk management, actively and systematically identifying, assessing and responding to risk issues occurred in the operation process can facilitate the management ability and adaptivity of an enterprise, and ensure the realisation of business objectives and sustained development. The Group is mainly engaged in the investment, construction, operation and management of toll highways and roads. In recent years, in order to support the rapid business growth of the Company, risk management has been gradually applied by all activities of the Company, including strategy making, planning, decision-making and operations, etc. In 2011, the Company focused on and proactively took responsive measures to the risks set out as follows:

Policy and Market Risks	Financial Risks	Operational Risks
◆ Toll policy changes ◆ Road network changes ◆ Macroeconomic changes	◆ Financing and liquidity risk ◆ Interest rate risk	◆ Project investment risk ◆ Business expansion risk ◆ Road maintenance risk ◆ Project construction risk ◆ Risk of entrusted management business

I. Policy and Market Risks

1. Toll Policy Changes

Risk Analysis:

The application of "Green Passage Toll Free Policy" has being extended to all highways since December 2010. In addition, the trial measure of occasional free pass during peak hours of traffic volume and the toll-by-weight policy were continued to be exercised in Guangdong Province during the year 2011, which might bring challenges to the Group's operational performance and management models. In recent years, the toll for class 2 roads has been gradually cancelled by the government. If the toll for Qinglian Class 2 Road is finally cancelled, it may induce risks of asset loss or impairment.

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 ("Specific work"), and launched a one-year nationwide specific clean-up work for toll highways. The progress of the related work and implementation of specific programs may have a negative impact on the operation and management of the Group.

Risk Response:

During the year, the Group took a number of feasible measures in response to the uncertainties arising from the policy changes in the future, which included:

◆ Improved inspection management system, organised underlying staff and management to learn from and exchange with the traffic police bureau, in order to improve the skills of vehicle overloading inspection.

◆ Implemented and improved the work procedures, in order to ensure more timely and effective traffic divergence in peak hours.

◆ Carefully reviewed the relevant industry policies, communicated and coordinated actively with government authorities, in order to clarify the expectations of the Company and investors as far as possible.

Since the relevant implementation programs have yet been determined within the year, there was no real impact on the group's operating performance from the specific work for the year 2011. In addition, there exist relatively big uncertainties in the timing of launch and the specific programs for cancellation of commercial toll fees for class 2 roads. In view of this, the Company will continue to possess Qinglian Class 2 Road, and intends to negotiate with the government at appropriate time for a reasonable and feasible program so as to reduce risks.

2. Road Network Changes

Risk Analysis:
The enhancement of highway network, the renovation of surrounding roads, the construction of the project itself and implementation of traffic organisation planned by the government, etc., all of these will lead to changes in distribution of traffic within the road network, and thus may cause positive or negative impact on the traffic volume and toll revenue of the Group's toll highways. Although the Company has made advanced study, reasonable prediction and response measures, it might be possible for the Company or its projects not to achieve the desired operating performance, if it exists deviation between the prediction and the actual progress of the relevant projects or the real impact on traffic volume after its opening to traffic.

Risk Response:
In response to the risks of road network changes, the Company took the following measures in 2011:

- Communicated with the government and industry peers, kept abreast of road network planning, project construction schedule, follow-up adjustment programs and other information, and also made research and analysis on road network in advance.

- Improved toll efficiency and service standard, enhanced project competitiveness on the basis of the analysis of factors affecting road network changes, and by way of marketing programs implementation, maintenance enhancement and traffic organisation.

- Developed reasonable construction and traffic organisation plans, and lessened the impact of project construction on operation in the process of the repair, renovation and expansion project of Meiguan Expressway.

Under current economic conditions, the enhancement of road network will help improve overall traffic efficiency and hence promote traffic demand. Although individual road sections may suffer from the impact of divergence in a short period, it will have positive effect on the overall operational performance of toll highways.

3. Macroeconomic Changes

Risk Analysis:
Toll highway industry is sensitive to macroeconomic changes to some extent. Since May 2011, the negative impact of European and American debt crisis on imports and exports has become increasingly apparent. Also, the exercise of domestic economic monitoring policies has also brought some impact to transportation industry. Overall, it leads to uncertainties for the traffic flow and toll revenue growth of the Group's toll highway projects.

Risk Response:
The Company closely monitored the level of economic growth in road network's surrounding areas, made tracking analysis of the changes and impact of foreign trade and container port throughput and other indicators, collected and analyzed the statistics about the traffic flow of road network and the structural changes of vehicle categories, established and adjusted our management programs and marketing measures accordingly, in order to reduce, as far as possible, the negative impact of changes in economic conditions on the Company.

II. Financial Risks

1. Financing and Liquidity Risk

Risk Analysis:

In 2011, the monetary policies of the State was generally tightened, credit facility was subject to strict control, particularly for the types of loans and the application of funds, resulting in more difficulties in obtaining credit financing. At the same time, given the sophisticated and changing policies and market conditions, the direct financing on capital market also involved a certain risk in terms of securities issuance. On the other hand, the Company's liabilities remained at a high level, and the borrowing of Qinglian Company has exceeded more than half of the Group's total borrowings. In addition, the Group has also arranged some loans denominated in foreign currencies and financial instruments through the Mei Wah Company. However, there still exists a certain solvency risk of the Group.

Risk Response:

Facing the tough financing conditions in 2011, the Group took the following proactive measures to mitigate risks, namely:

- Issued corporate bonds of RMB1.5 billion, optimised debt structure and effectively eased the pressure on turnover of capital; adopted new bank financing products to meet the Group's short-term requirement for turnover of capital.

- Continued to keep track of changes in monetary policies of the State and credit policies of commercial banks, made timely adjustments to financial management strategies, shifted the focus to guarantee the financial security of the Group, made daily credit maintenance, and sustained effective credit limit at modest scale.

- Enhanced the planning management of use of funds, focused on the specific management and control of Qinglian Company's budgeting plan in relation to revenue and expenditure, appropriately increased the cash on hand of the Mei Wah Company, undertook regular monitoring, analysis and early warning on the financial instruments being employed, and took tailor-made management measures accordingly.

- Continued to increase capital injection into Qinglian Company in order to improve its capital structure and reduce the risk of cash flow.

2. *Interest Rate Risk*

Risk Analysis:
During the Reporting Period, Renminbi remained at the rate hike cycle, and meanwhile, due to the impact of bank credit crunch, it was more difficult to be qualified to enjoy the favorable interest rate lower than the benchmark, leading to a higher pressure on the rising financial cost of the Group.

Risk Response:
During the year, the Company took the measures to reduce interest rate risk as follows:

- Made more use of capital market instruments for direct financing instruments, while continuing to adopt entrusted loans, loans denominated in foreign currencies, and other low interest rate financing methods.
- Issued medium and long-term bonds to reduce and locked up costs. The interest rate of the five-year corporate bonds of RMB1.5 billion issued by the Company in 2011 was approximately 11% lower than the benchmark interest rate of bank loans of the corresponding period.
- Actively coordinated with banks to ensure that prime interest rates were still applicable for some project loans.
- Arranged for the deposits of different term structure, based on the actual situation of cash on hand increase, and improved capital gains in the premise of ensuring security and flexibility of funds.

In 2011, the Group's average borrowing cost and out-of-pocket cost of capital for the year was 4.96% and 4.34% respectively, representing a slight increase of a 0.19 percentage point as compared to 2010, but far below the market level.

Although currently the Company has larger proportion of medium and long-term loans and fixed-rate loans and will suffer less impact from interest rate hike in the near future, if market interest rate remains at high level for a longer period, the Company will suffer greater pressure of rising financial cost as some of the Group's fixed-rate loans contracts gradually mature.

III. Operational Risks

1. *Project Investment Risk*

Risk Analysis:
The Company has the first rights of refusal to develop Outer Ring Expressway. However, due to its substantial investment size, the return may not meet the Company's demand and it will increase the uncertainties of financial risks. Moreover, the Company is negotiating and discussing with the Government for the plan of toll rate adjustment model of the South Section of Meiguan Expressway. The investment income and achievement of the management targets of the Company will be affected as to whether it is reasonable and implemented successfully.

Risk Response:
Regarding the adjustment of toll rate model of the South Section of Meiguan Expressway, the Company had engaged a traffic volume consultant and a valuer to perform predictions and review on the traffic volume and project valuation, and submitted proposals to competent government authorities as well as made intensive discussions of many rounds with them. Due to the wide coverage and sophisticated examination and approval procedures, the specific program has not yet been determined.

During the year, the Company continued to intensify the research of Outer Ring Expressway, and maintained active communication with the relevant government authorities. Currently, the investment model and development plan of the project have not yet been determined.

The Company will continue to optimise the project implementation plan and actively negotiate with the government, and strive to achieve the win-win situations among the Company, shareholders, the public, the government and other stakeholders.

2. Business Expansion Risk

Risk Analysis:
According to the corporate strategy, the Company will explore and attempt new industry investment and actively promote the related tasks. As the new business would be different from toll highway business, if the Company is not able to adapt to the new business mode in terms of proper market positioning, management models and human resources, etc., the expansion of new business and hence the Company's overall performance would be affected.

Risk Response:
In response to the above risks, the Company adopted the measures as follows:

- Adhered to the principle of matching the business expansion direction with the Company's core competitiveness.
- Incorporated Investment Company, and established a management platform for research and development of new business.
- Based on repeated studies on the business model and risk countermeasures, the Company contracted for developing Guilong Project during the year, controlled the scale of development at an acceptable level, and introduced new business partners in order to diversify business risks.

3. Road Maintenance Risk

Risk Analysis:
In 2011, Shenzhen Municipal Government uplifted the requirement on the quality, facilities and overall image of highways, which are likely to increase the capital expenditure and future operation and maintenance costs of the Company.

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, and a large-scale of repair and maintenance was required. Accordingly, the Company has developed a repair and maintenance program which will be implemented during the period from 2010 to 2012. However, the vast coverage of repair and the long period of maintenance may lead to the risk of cost overruns.

In recent years, the Company has promoted the optimisation of road maintenance policy in order to achieve the target of "maximising maintenance benefits for the whole operation period". If the maintenance plan is inappropriately made, it will on one hand increase pressure on cash expenditure and cost control of the Company, and on the other hand, may result in making inaccurate provisions for road maintenance responsibility, thus affecting the quality of the related financial statements and causing fluctuations in the operating results of the Company.

Risk Response:
In 2011, the Group commenced the construction of lighting and monitoring facilities, the renovation of toll station in Shenzhen region, the road surfaces repair and traffic improvement project of the South Section of Meiguan Expressway, and recovery and remediation works of Qinglian Class 2 Road according to the planned schedules, with expenditures controlled within the Company's budget. The implementation of these construction works will be conducive to further enhancement of competitiveness of the Company's projects.

According to the findings of preventive maintenance program, the Company reviewed and adjusted the road maintenance plan which had previously been formulated in the third quarter of 2011, and correspondingly adjusted the accounting estimates on the provisions for maintenance/resurfacing obligations, bringing significantly positive impact on the Group's earnings for the year. For details, please refer to Section 2 Financial Analysis in this Chapter. With the innovative maintenance concept and technical support, the overall maintenance costs of various highways during the operation period would be reduced, and the maintenance costs are relatively balanced over different periods. Accordingly, the Company would reduce the volatility of costs and cash flow to some extent.

4. *Project Construction Risk*

Risk Analysis:
The Group's own construction projects during the year 2011 mainly included the reconstruction and expansion of the North Section of Meiguan Expressway, while entrusted construction projects mainly included Coastal Project and Nanping (Phase II). Because of the high technological demand of reconstruction and expansion of Meiguan Expressway and cross-sea interchange of Coastal Project, modification in designs will possibly take place in the construction process and thus lead to cost increase. Meanwhile, due to the impact from inflationary expectation, it will exert more pressure on the increase in costs of materials, construction and land requisition, demolition and relocation, which will have impact on the construction costs and future operating costs or proceeds from entrusted construction projects. Taking into account of the impact from such factors as government planning changes, and disbursement of funds, etc., it is uncertain whether the project can be completed on schedule. In addition, as the project construction has entered its peak period, the demand for project quality and safety management are intensified, higher quality and safety risks will be involved objectively.

Risk Response:
The Company has taken the following measures against the various risks involved in project construction:

- According to the construction features and management requirements of various construction projects, sorted out the project focuses and difficulties, reasonably optimised the project design, improved management systems and procedures, and outlined them in related tender documents and contracts.
- Strictly performed the contracts, implemented various management systems and inspection as well as incentives and penalties, refined and improved the measured payment control measures, to achieve the dynamic cost control and management objectives.
- Expressly specified the materials spreads and price adjustment methods in relation to entrusted construction contracts and construction contracts, in order to reduce or transfer the risks of construction cost.
- Communicated actively with the relevant government authorities to gain their support, clearly specified responsibilities, and endeavored to solve key issues and problems.
- Strictly implemented quality management procedures, strengthened the inspection of on-site materials, test management, standardised production operations as well as safety management, provided related training programs satisfactorily and developed contingency plans.

5. *Risk of Entrusted Management Business*

Risk Analysis:
If the government budgets and contracts of entrusted construction projects cannot be approved or executed on schedule, or the approved budget differs from expectation of the Company, it will cause more uncertainties to the estimate on the Company's contract revenue. Market changes and inflationary expectation are likely to have impact on cost control. In addition, as uncertainties exist in any construction-related litigation and government audit, pressure will be increased on the realised gain and the recovery of cash flow from Nanping (Phase I) entrusted construction project.

Risk Response:
The Company has entered into an agreement regarding the specific matters related to the management of Coastal Project over the construction period with an entrusting party in 2011. The revenue recognised from the entrusted construction for the year in accordance with the terms of contract has fulfilled the expectation of the Company.

During the year, the Company actively followed the litigation progress and settlement audit of Nanping (Phase I). Currently, the project's settlement audit has been completed, and part of the proceeds has been recovered in early 2012. Up till now, the implementation progress and results of the Company's entrusted management projects are basically in line with the corporate objectives with no significant losses incurred or default risks involved.

Outlook and Plans

I. Analysis 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 report, 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.

Report of the Directors and Significant Events

The Board is pleased to present herewith the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2011.

1. Information on the Board Meeting and Its Resolutions

During the year 2011, nine Board meetings were held by the Company. Details are as follows:

Name of the meeting	Convening date	Major newspapers and websites for disclosure	Date of disclosure on newspapers
The sixteenth meeting of the fifth session of the Board	21 February 2011	Shanghai Securities News Securities Times http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com	22 February 2011
The seventeenth meeting of the fifth session of the Board	25 March 2011		26 March 2011
The eighteenth meeting of the fifth session of the Board	28 April 2011		29 April 2011
The nineteenth meeting of the fifth session of the Board	29 June 2011		N/A
The twentieth meeting of the fifth session of the Board	12 August 2011		13 August 2011
The twenty-first meeting of the fifth session of the Board	29 September 2011		10 October 2011
The twenty-second meeting of the fifth session of the Board	27 October 2011		28 October 2011
The twenty-third meeting of the fifth session of the Board	8 November 2011		10 November 2011
The twenty-fourth meeting of the fifth session of the Board	29 December 2011		N/A

Major issues discussed in the Board meetings include:

- The annual final accounts and budgets, the work reports of the Board, the internal control assessment report and the social responsibility report;
- The annual, interim and quarterly reports;
- Proposed annual profit distribution;
- Working plan for implementation of internal control;
- Establishment of subsidiaries;
- Road surface maintenance and traffic improvement work on the South Section of Meiguan Expressway;
- Entrusted construction management of Coastal Project, renewal of entrusted management of the equity interests in Longda Company and cooperation of Guilong Project;
- Annual financing plans and proposal for general mandate to issue debentures denominated in RMB;

- Changes in accounting estimates, significant accounting matters and appointment of auditors;
- Execution of the Group's operating performance targets for the year and determination of the operating performance targets for the following year;
- Enhancement of the authorisation system of the Board, corporate governance rules and the relevant management regimes;
- Nomination of candidates for the following session of the Board and proposal of the remuneration for Directors; etc.

2. Information on the General Meetings and Its Resolutions

During the year 2011, three general meetings were held by the Company at the conference room of the Company. Information on these meetings are as follows:

Name of the meeting	Convening date	Major newspapers and websites for disclosure	Date of Disclosure on Newspapers
The 2010 Annual General Meeting	17 May 2011	Shanghai Securities News Securities Times http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com	18 May 2011
The First Extraordinary General Meeting 2011	24 November 2011		25 November 2011
The Second Extraordinary General Meeting 2011	29 December 2011		30 December 2011

The general meetings had considered and approved the following matters as ordinary resolutions:

- The report of the Directors, the report of the Supervisory Committee, the audited accounts and the distribution scheme of profits for the year 2010;
- The budget report for the year 2011;
- The appointment of auditors for the year 2011;
- The entrusted construction management agreement of Coastal Project and the transaction contemplated thereunder;
- Directors of the sixth session of the Board and shareholders' representative Supervisors of the sixth session of the Supervisory Committee;
- The remuneration of the sixth session of the Board and the Supervisory Committee.

The general meetings had considered and approved the following matters as special resolutions:

- The grant of a general mandate to the Board to issue debentures denominated in RMB;
- The amendments to the Articles of Association.

3. Implementation of the Resolutions of the General Meetings

(1) The 2010 Annual General Meeting of the Company had considered and approved the distribution scheme of profits for the year 2010. The scheme has been implemented according to the resolution.

(2) The 2010 Annual General Meeting of the Company had considered and approved the grant of a general mandate to the Board to issue debentures denominated in RMB. According to the general mandate, the Company completed a public offering of corporate bonds with an amount of RMB1.5 billion in August 2011.

(3) The First Extraordinary General Meeting 2011 had considered and approved the entrusted construction management agreement of Coastal Project and the transaction contemplated thereunder. As at the end of the Reporting Period, the entrusted construction management under the agreement is progressing smoothly. For details thereof and its implementation, please refer to "Significant Connected Transaction" in this Chapter and Business Review in Chapter V of this annual report.

4. Statement of the Responsibilities towards the Financial Statements by the Board

This statement intends to clarify for our shareholders the respective responsibilities of the Directors and the auditors of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditors set out in Auditor's Report in Chapter XII of this annual report.

It is the Board's opinion that the financial statements were prepared on a going concern basis given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and in accordance with all accounting standards as the Board deems appropriate. It is the responsibility of the Directors to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial position and that the financial statements are in compliance with the requirements of relevant accounting standards.

5. Duty Performance Summary Report of the Audit Committee

The duty performance summary report of the audit committee is set out in Chapter IX of this annual report.

6. Duty Performance Summary Report of the Remuneration Committee

The duty performance summary report of the remuneration committee is set out in Chapter IX of this annual report.

7. Insider Information Management

The Rules Governing Information Disclosure Matters of the Company has clearly defined the management principles and requirements on insider information and its insider management, including the providing of insider information as well as the scope, responsibilities, obligations, registration and inquiries on securities trading etc.

During the Reporting Period, the Company did not notice violation of abovementioned requirements. On the basis of the summary and review of the existing rules and its practices, the Company further formulated the Rules Governing Insider Information in 2012, in order to strengthen the management of insider information and its insiders, and persistently improve the corporate governance system.

8. Principle Activities

The principal activities of the Group are the investment, construction and operation management of toll highways and roads in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses.

An analysis of the Group's revenue and contributions to operating profit for the Reporting Period is set out in Financial Analysis in Chapter V of this annual report. An analysis of the Group's revenue and contributions to operating profit in terms of business segments for the Reporting Period is set out in note 6 to the Financial Statements in Chapter XII of this annual report.

9. Major Customers and Suppliers

No further disclosures with regard to the Group's major customers and suppliers are made since the Group's major customers are users of its toll highways while there is normally no major purchase in relation to its ordinary course of business. During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted for no more than 30% of the Group's total revenue and total amount of purchases, respectively. Therefore, no further disclosure in respect of its major customers and suppliers is to be made by the Group.

10. Financial Results

The results of the Group for the year ended 31 December 2011 are set out in Consolidated Income Statement in Chapter XII of this annual report.

The financial positions of the Group and the Company as at 31 December 2011 are set out in Consolidated Balance Sheet and Balance Sheet in Chapter XII of this annual report.

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out in Chapter II of this annual report.

11. Profit Distribution and Final Dividends

(1) Proposed profit distribution for 2011

The net profit in the consolidated financial statements for the year 2011 was RMB875,146,104.56 and net profit in the parent financial statements for the year 2011 was RMB884,623,032.56. Pursuant to the Articles and CAS, and for prudence sake, profit distributable shall be taken as the lower of the profit after tax in the consolidated and parent financial statements. Based on the above principles, profit distributable of the Company for the year 2011 was RMB875,146,104.56.

Pursuant to the relevant PRC laws and regulations and the Articles, the Company transferred RMB88,462,303.26 to statutory surplus reserve for the year 2011. The Board of the Company recommended the payment of a final dividend of RMB0.16 (tax included) per share in cash to all shareholders, totaling RMB348,923,252.16, for the year ended 31 December 2011, representing 40% of the profit distributable for the year 2011 and the balance be carried forward to next year. The Board did not recommend any conversion of capital reserve into share capital. Such proposal is to be approved by shareholders at the 2011 Annual General Meeting of the Company.

(2) Cash dividend policy and its implementation

The Company has always adhered to implement positive cash dividend policy, rewarding its shareholders with high return. Approved by the general meetings, the profit distribution scheme and its implementation of the Company over the past three years were as follows:

(Unit: RMB)	2010	2009	2008
Profit distribution scheme			
– Cash dividend per share (including tax)	0.16	0.12	0.12
– Conversion of capital reserve into share capital or others	Nil	Nil	Nil
Implementation			
– Total cash dividend (including tax)	348,923,252.16	261,692,439.12	261,684,000.00
– Net profit attributable to owners of the Company	745,806,530.62	540,218,648.15	503,194,685.38
– Cash dividend-to-net profit ratio	46.78%	48.44%	52.00%

The Company has formed a complete decision-making procedures and mechanisms in formulation and decision-making of the profit distribution scheme, to fully listen to the views of Independent Directors and minority shareholders. Based on the principle of focusing on shareholder returns, and taking into account the fund demand of the Company's development, the Company will continue to maintain reasonable and relatively stable cash dividend policy.

12. Share Capital

The total share capital of the Company was RMB2,180,770,326. Details are set out in note 5(25) to the Financial Statements in Chapter XII and Chapter VII of this annual report.

13. 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.

14. Pre-emptive Rights

According to the Articles and the PRC laws, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings if new shares are issued.

15. Reserves

The amounts and particulars of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes 5(26), 5(27) and 5(28) to the Financial Statements in Chapter XII of this annual report.

16. Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group and the Company during the Reporting Period are set out in notes 5(8), 14(5) and 5(10), 14(7) to the Financial Statements in Chapter XII of this annual report respectively.

17. Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in notes 5(12), 5(21), 5(22) and 5(23) to the Financial Statements in Chapter XII of this annual report.

18. Subsidiaries and Joint Ventures

Details of the Company's subsidiaries and joint ventures are set out in notes 4(1) and 7(3) to the Financial Statements in Chapter XII of this annual report respectively.

19. Directors, Supervisors and Senior Management

(1) The details of the Directors, the Supervisors and the senior management, and changes of such personnel during the Reporting Period are set out in Chapter VIII of this annual report.

(2) Details of the remuneration received by the Directors, the Supervisors and the senior management during the Reporting Period are set out in Report of the Remuneration Committee in Chapter IX and notes 7(5)(e)~(g) to the Financial Statements in Chapter XII of this annual report.

(3) Directors' service contracts:

Each of the Directors of the fifth session of the Board has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are effective from 1 January 2009 to 31 December 2011. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

(4) Directors' and Supervisors' interests in contracts:

As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance was entered into to which the Company or its subsidiaries was a party and in which the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, nor any of the aforesaid contract that was still effective subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

(5) None of the Directors, the Supervisors or the senior management is materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting at the date of this annual report and which is significant in relation to the business of the Group.

(6) During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Directors, the Supervisors and the senior management of the Company or its controlling shareholder(s) or their respective connected persons.

20. Disclosure of Interests

As at 31 December 2011, the interests or short positions of the Directors, the Supervisors or the senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 1 January 2011	Number of ordinary shares sold during the Reporting Period	Number of ordinary shares held as at 31 December 2011	Approximate percentage of ordinary shares in issued share capital of Shenzhen International as at 31 December 2011	Nature of Interests	Capacity
Li Jing Qi	20,000,000	12,000,000	8,000,000	0.05%	Personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Share option unexercised as at 1 January 2011 (Note)	Number of share option granted during the Reporting Period	Number of share option exercised during the Reporting Period	Share option unexercised as at 31 December 2011	Nature of Interests	Capacity
Yang Hai	14,300,000	Nil	Nil	14,300,000	Personal	Beneficial owner
Li Jing Qi	17,000,000	Nil	Nil	17,000,000	Personal	Beneficial owner
Zhao Jun Rong	14,300,000	Nil	Nil	14,300,000	Personal	Beneficial owner
Tse Yat Hong	14,300,000	Nil	Nil	14,300,000	Personal	Beneficial owner
Lin Xiang Ke	5,900,000	Nil	Nil	5,900,000	Personal	Beneficial owner
Zhong Shan Qun	14,300,000	Nil	Nil	14,300,000	Personal	Beneficial owner

Note: These share options were granted on 28 September 2010 and could be exercised during the period from 28 September 2012 to 27 September 2015 with the exercise price HK$0.58 per share.

Saved as disclosed above, as at 31 December 2011, none of the Directors, the Supervisors or the senior management had interests or short positions defined above.

21. Material Litigation and Arbitration

During the Reporting Period, there is no material litigation or arbitration arising in connection with the Company or its subsidiaries nor is there any material prior litigation or arbitration subsisting in the Reporting Period.

22. Material Acquisition, Sale and Business Combination

During the Reporting Period, there is no material acquisition, sale or business combination by the Company or its subsidiaries nor is there any material acquisition, sale or business combination subsisting in the Reporting Period.

23. Significant Connected Transaction

(1) Connected transaction in ordinary course of business (continuing connected transaction) – Longda Project

On 28 December 2009, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2010 and expired on 31 December 2011. The entrusted management fees are calculated on an annual basis at RMB15 million or 8% of the audited net profit of Longda Company (but in any event shall not exceed RMB25 million), whichever is the higher. The fees will be paid in cash by Baotong Company by installments to the Company. Longda Company is principally engaged in toll collection, maintenance, management of the road asset and its rights, and resources development of Longda Expressway.

As Baotong Company is a wholly-owned subsidiary of Shenzhen International, which is the indirectly controlling shareholder of the Company, in accordance with the Listing Rules of SSE, the transaction constitutes a connected transaction of the Company. According to the Listing Rules of HKEx, this transaction constitutes a continuing connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 28 December 2009. The entrusted management fees under this transaction were determined after arm's length negotiation between both parties with reference to the experience in operation and management of toll highways of the Company. During the Reporting Period, this connected transaction had no effect on the independence of the Company and the entrusted management agreement was normally performed. Income recognised for the Reporting Period amounted to RMB22,014,000, accounting for 0.75% and 100% of the Group's revenue and entrusted operation management service income respectively. The Independent Directors of the Company had taken annual review on this continuing connected transaction and confirmed that the transaction was on normal commercial terms in the ordinary and usual course of business of the Company, and during the Reporting Period the transaction was in accordance with the entrusted management agreement and that the terms are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. The auditors of the Company had reviewed this continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and provided a letter on the matters described in Rule 14A.38 of the Listing Rules of HKEx.

The Company entered into an entrusted management agreement with Baotong Company on 29 December 2011. Pursuant to the agreement, Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2012 and will expire on 31 December 2013. The entrusted management fees are RMB18 million per year and will be paid in cash by Baotong Company by installments to the Company. For details thereof, please refer to the announcement of the Company dated 29 December 2011.

(2) Connected transaction in ordinary course of business – entrusted settlement service for inter-network toll collection

In order to improve the traffic efficiency of the road network as a whole, inter-network toll collection for all highways in Guangdong Province was carries out in phases, and Guangdong UETC was designated to be responsible for inter-network toll collection settlement and unified management of non-cash settlement systems for all highways in the province. The Company and its subsidiary entered into with Guangdong UETC (which was not connected to the Company at the time the agreements being entered into) a number of agreements of entrusted settlement services for inter-network toll collection of the highways in Guangdong Province to entrust Guangdong UETC to provide toll settlement service to such expressways being invested by the Company as Meiguan Expressway, Jihe Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway, with terms until the expiry of the concession period for toll collection of respective expressway and the service fees standard were determined by the pricing regulatory department of Guangdong Province.

Mr. Zhou Qing Ming, a Vice President of the Company, is currently a director of Guangdong UETC for the Company's equity participation in Guangdong UETC. In accordance with the Listing Rules of SSE, Guangdong UETC is a connected person of the Company, and the abovementioned entrusted settlement service constituted connected transactions of the Company. During the Reporting Period, these transactions had no effect on the independence of the Company and the entrusted settlement agreements were normally performed. Service fees recognised for the Reporting Period amounted to RMB19,422,000, accounting for 1.64% and 100% of the Group's operating cost and entrusted settlement expenditures respectively.

(3) Connected transaction (connected transaction) – Coastal Project

On 9 September 2011, the Company entered into an entrusted construction management agreement with Coastal Company, whereby detailed terms of the entrusted construction management of Coastal Project by the Coastal Company to the Company were agreed upon. Pursuant to the agreement, the Company was responsible for the construction management of Coastal Project. The entrusted construction service fee comprises the entrusted construction management fee and the performance-based bonuses or penalties (if any). The entrusted construction service fee shall be paid in cash by the Project Company by installments as agreed. Among this, the entrusted construction management fee shall be 1.5% of the approved budgeted costs of Coastal Project, and the performance-based bonuses or penalties mainly comprise the bonuses or penalties for construction costs control, the amount of which is 20% of the difference between the investment control amount and the final-audited construction costs of Coastal Project.

As Coastal Company is a wholly-owned subsidiary of SIHCL, which is the indirectly controlling shareholder of the Company, in accordance with the Listing Rules of SSE, the transaction constitutes a connected transaction of the Company. According to the Listing Rules of HKEx, this transaction constitutes a connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 9 September 2011 and the circular dated 4 October 2011. The terms of the Entrusted Construction Management Agreement (including the calculating methods of the entrusted construction service fee) were arrived at after arm's length negotiation between Coastal Company and the Company. In arriving at the abovementioned terms, the Company had taken into account of the scale of Coastal Project and its past experience in construction management of roads. During the Reporting Period, this connected transaction had no effect on the independence of the Company and the entrusted management agreement was normally performed. Income recognised for the Reporting Period amounted to RMB96,664,000, accounting for 3.27% and 75.90% of the Group's revenue and entrusted construction management service income respectively.

24. Advances and Liabilities or Guarantees Related to the Connected Parties (as defined in the relevant PRC regulatory rules):

Unit: RMB'000

	Fund provided to the connected parties		Fund provided to the Company by the connected parties	
Connected party	Amount accrued	Balance	Amount accrued	Balance
Baotong Company (Note)	–	–	(1,367)	(1,003)
GZ W2 Company	–	–	12,500	12,500
Nanjing Company	–	–	(6,955)	39,545
Total	–	–	4,178	51,042

Note: Advances from Baotong Company is the management fee received in advance pursuant to the entrusted construction agreement of Longhua Extension. As at the end of the Reporting Period, the balance is the difference between the management fee received in advance by the Company and the revenue recognised by the Company according to the accounting policies.

During the Reporting Period, there is no fund occupancy by the controlling shareholders and its subsidiaries arising in the Company.

Besides, a loan from the Spanish Government on-lent by China Construction Bank was secured by a guarantee given by XTC Company, a substantial shareholder of the Company. As at the beginning of the Period, the balance of the loan was US$223,420, which was fully repaid in the Period. The abovementioned guarantee expired on 30 April 2011.

The auditors of the Company have produced specific explanations in relation to the sheet of fund occupancy by the controlling shareholders and other connected parties prepared by the Company in accordance with regulations.

25. Management Contract

Pursuant to a contract dated 7 June 1995 together with subsequent amendments thereof, Magerk Company entrusted the toll collection of Wuhaung Expressway and the usage, management, preservation, maintenance and repair of Wuhuang Expressway and its ancillary facilities to湖北省高等級公路管理局(Hubei Bureau for the Administration of Higher Class Public Roads), or other sub-contractors whom it may designate from time to time (湖北武黃高速公路經營有限公司(Hubei Wuhuang Expressway Management Co. Ltd.) is the sub-contractor currently designated), throughout the operating period of Wuhuang Expressway. The service was charged at a fee which is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

For the year of 2011, the amount of entrusted management fees and net profit accounted for by Magerk Company was RMB105,638,000 and RMB166,148,000 respectively. After deducting minority interests, the net profit attributable to the Group of Magerk Company was RMB91,381,000, representing 10.44% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the financial position and operating results of the Group.

26. Mortgage and Pledge of Assets

As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets mortgaged or pledged are as follows:

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian project (1)	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion (1)	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
47.3% of toll collection right of Nanguang Expressway	Pledge	Agricultural Bank of China Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the Bonds with Warrants issued by the Company with an amount of RMB1.5 billion upon maturity	Until repayment of the Bonds with Warrants (principal and interests)
40% of equity interests in Qinglong Company	Pledge	Industrial and Commercial Bank of China Limited Shenzhen Branch	Principal and interests of bank loans in an aggregate amount of RMB1.3 billion (2)	Until repayment of all liabilities by the Company under the loan agreement
154,000,000 shares of JEL Company (3)	Pledge	Industrial and Commercial Bank of China (Asia) Limited	Bank loans in amount of HK$380 million and relative payment liabilities under swap facilities of HK$647 million (3)	Until the 7th month after the repayment of all mortgage-backed liabilities by the Mei Wah Company

Notes:

(1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Qinglian Company was RMB4,258 million.

(2) As at the end of the Reporting Period, the balance of such loans used by the Company was RMB665 million.

(3) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of loans used by Mei Wah Company under such facilities was HK$380 million, and the outstanding principal of loans for which the Group had arranged swap was HK$605 million.

27. External Guarantees

Unit: million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)						
Name of the guaranteed	Date of occurrence (date of agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Completed or not	Guarantee for connected party or not
China Construction Bank Shenzhen Branch	2007-4-20	800	(2) Counter -guarantee	From August 2007 until repayment of corporate bonds of the Company (principal and interests)	No	No
Agricultural Bank of China Shenzhen Branch	2008-7-11	1,500	(2) Counter -guarantee	From February 2009 until repayment of the Bonds with Warrants (principal and interests)	No	No
Industrial and Commercial Bank of China Limited Shenzhen Branch	2010-9-17	(3) HK$220.5	(3) Counter -guarantee	Upon the relief of guarantee bank's liability and until repayment of liability (if any) under the agreement	No	No
Total amount of guarantees occurred during the Reporting Period						0
Total balance of guarantees as at the end of the Reporting Period						2,478.52
Guarantees for subsidiaries of the Company						
Total amount of guarantees occurred for subsidiaries during the Reporting Period						0
Total balance of guarantees for subsidiaries as at the end of the Reporting Period						0
Total amount of guarantees of the Company (including guarantees for subsidiaries)						
Total amount of guarantees						2,478.52
Proportion of total amount of guarantees to the net assets of the Company						23.61%
Including:						
Amount of the guarantees for shareholders, de-facto controller and their connected parties						0
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70%						2,478.52
Amount of the guarantees exceed 50% of net assets of the Company						0
Total amount of the above three guarantees						2,478.52

Notes:

(1) Abovementioned three external guarantees had been approved by the 2006 Annual General Meeting, the 2007 Annual General Meeting and the Second Extraordinary General Meeting 2010 of the Company respectively.

(2) Please refer to "Mortgage and Pledge of Assets" above for related details.

(3) As for the financing needs in Hong Kong, Mei Wah Company, a wholly-owned subsidiary of the Company accepted the guarantee provided by the Industrial and Commercial Bank of China Limited (Shenzhen Branch) with the total amount not exceeding HK$645 million. The Company provided credit counter-guarantee for the bank which provided guarantee. As at the end of the Reporting Period, the guarantees accepted by Mei Wah Company was HK$220.5 million, equivalent to approximately RMB179 million.

The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered specific explanations and independent opinions in relation to the external guarantees of the Company.

28. Other Agreements

Save as disclosed in this report, the Company did not enter into any contract in respect of the management and administration of its overall business or any material business, nor did it enter into any other material contracts in relation to entrustment, subcontracting, leasing, guarantee or cash assets management during the Reporting Period. Furthermore, there were no such prior material contracts subsisting during the Reporting Period.

29. Undertakings

(1) The shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding in the Company, have undertaken in the promoters' agreement that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. The Company did not notice violation of such undertakings by the above two major shareholders up to the end of the Reporting Period.

(2) Shenzhen International and SGJ Shenzhen made undertakings in《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") published on 18 October 2007 in the securities market of PRC. The undertakings include avoiding competitions and standardising connected transactions, etc. For details thereof, please refer to the abovementioned《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") or related contents of the Annual Report 2007 of the Company. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by Shenzhen International and SGJ Shenzhen.

(3) Shenzhen International made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and June 2011 respectively. For details thereof, please refer to《收購報告書》("Acquisition Report") published on 4 January 2011 in the securities market of PRC by SIHCL and the announcement of the Company dated 1 June 2011. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by Shenzhen International.

(4) SIHCL made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and May 2011 respectively. For details thereof, please refer to《收購報告書》("Acquisition Report") published on 4 January 2011 in the securities market of PRC by SIHCL and the announcement of the Company dated 1 June 2011. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by SIHCL.

30. Charity Donations

During the Reporting Period, the Company allocated RMB850,000 for charity or public welfares. The details related are set out in Chapter XI of this annual report.

31. Social Responsibility

The company attaches importance to fulfill its social responsibilities. During the Reporting Period, there is no material environmental protection or other community security issues in which the Company is involved. The details on fulfillment of the social responsibilities of the Company are set out in Chapter XI of this annual report.

32. Results Review

The Audit Committee of the Company has reviewed and confirmed the annual results announcement and the annual report for the twelve months ended 31 December 2011.

33. Appointment of Auditors

Details of the appointment and remuneration of the auditors are set out in Corporate Governance Practice Report in Chapter IX of this annual report.

34. Name of Directors

As at the date of this report, 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).

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 28 March 2012

Share Capital and Shareholders

I. Profile of Movements of Share Capital

1. Table of Movements of Shares

	Prior to the movement		Increase or decrease of the movement (+,-)					After the movement	
	Number	Percentage	Issue of new shares	Bonus issue	Conversion of reserve	Others	Sub-total	Number	Percentage
Non-restricted circulating shares									
1. Renminbi-denominated ordinary shares	1,433,270,326	65.72%	–	–	–	–	–	1,433,270,326	65.72%
2. Overseas-listed foreign shares	747,500,000	34.28%	–	–	–	–	–	747,500,000	34.28%
Total number of shares	2,180,770,326	100%	–	–	–	–	–	2,180,770,326	100%

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

2. Issuing and Listing of the Securities

(1) Pursuant to the approval by CSRC through Document證監發行字[2007]315號(Zheng Jian Fa Xing Zi [2007] No.315), the Company issued Bonds with Warrants of RMB1,500 million on 9 October 2007. Proceeds were used for the construction of Nanguang Expressway. The bonds and warrants after separation, the abbreviation of which are "07 Shenzhen Expressway Bond" and "Shenzhen Expressway CWB1", were listed on SSE on 30 October 2007 respectively.

The term of "07 Shenzhen Expressway Bond" is six years with maturity in October 2013. In June 2011, the bonds maintained the existing credit rating of AAA in follow-up rating by中誠信國際信用評級有限責任公司(China Chengxin International Credit Rating Co.). In October 2011, the payment of interests for the year was completed on schedule as stipulated. An interest of RMB10 (tax included) was paid for each lot of "07 Shenzhen Expressway Bonds" (with par value of RMB1,000).

The exercise period of "Shenzhen Expressway CWB1" was the trading days from 23 October 2009 to 29 October 2009. During the exercise period, an aggregate of 70,326 warrants of "Shenzhen Expressway CWB1" were successfully exercised. The Company in turn issued 70,326 shares to the warrant holders at the price of RMB13.23 per share. Such shares were listed on the trading day following the exercise of warrants. "Shenzhen Expressway CWB1" were terminated listing on SSE on 3 November 2009.

(2) Pursuant to the approval by CSRC through Document證監許可[2011]1131號(Zheng Jian Xu Ke [2011] No.1131), the Company completed the issuance of fixed-rate corporate bonds of RMB1.5 billion on 2 August 2011, with the term of 5 years and issuing size of 15,000,000. The face interest rate of the bonds is 6.0% carrying an option for increase of face interest by the Company and an investors' put option to sell back the bond at the end of the third year. The bonds were issued at par with a par value of RMB100 each. The proceeds would be utilised for replenishing the working capital of the Company and/or its subsidiaries and for repayment of the existing debts of the Company. The bonds were listed on SSE on 9 August 2011, abbreviated as "11 Shenzhen Expressway" with maturity date of 27 July 2016. The details of the use of proceeds are set out in Financial Analysis in Chapter V.

(3) The Company had not issued staff shares.

3. Public Float

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

4. Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Reporting Period, the circulating market capitalisation of A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB3.87)) was RMB5.547 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK$3.28)) was HK$2.452 billion.

II. Profile of Shareholders

1. General Information of Shareholders

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in 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 annual report		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	Nature of shareholders	Percentage	Number of shares held	Changes during the Reporting Period	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC Nominees Limited (Note)	Overseas legal person	32.44%	707,405,098	+3,874,000	–	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	State-owned legal person	30.03%	654,780,000	–	–	None
Shenzhen Shen Guang Hui Highway Development Company	State-owned legal person	18.87%	411,459,887	–	–	None
China Merchants Hua Jian Highway Investment Co., Ltd	State-owned legal person	4.00%	87,211,323	–	–	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	–	–	None
Ip Kow	Overseas natural person	0.52%	11,300,000	–3,826,000	–	Unknown
Au Siu Kwok	Overseas natural person	0.50%	11,000,000	–	–	Unknown
Bank of China – CMF Pioneer Securities Investment Fund	Unknown	0.47%	10,210,206	+10,210,206	–	Unknown
Wong Kin Ping + Li Tao	Overseas natural person	0.23%	5,000,000	–	–	Unknown
Shanghai International Trust Company Limited – E-3501	Unknown	0.21%	4,610,913	+4,610,913	–	Unknown
The top ten holders of non-restricted circulating shares as at the end of 2011						
Name of shareholder				Number of non-restricted circulating shares held		Type of shares
HKSCC Nominees Limited (Note)				707,405,098		H Share
Xin Tong Chan Development (Shenzhen) Company Limited				654,780,000		A Share
Shenzhen Shen Guang Hui Highway Development Company				411,459,887		A Share
China Merchants Hua Jian Highway Investment Co., Ltd				87,211,323		A Share
Guangdong Roads and Bridges Construction Development Company Limited				61,948,790		A Share
Ip Kow				11,300,000		H Share
Au Siu Kwok				11,000,000		H Share
Bank of China – CMF Pioneer Securities Investment Fund				10,210,206		A Share
Wong Kin Ping + Li Tao				5,000,000		H Share
Shanghai International Trust Company Limited – E-3501				4,610,913		A Share
Connected relationship or concerted action relationship among the abovementioned shareholders:	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. Save as the abovementioned relationship, there is no connected relationship among the other state-owned shareholders in the above table. In addition, the Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the above four state-owned shareholders and other abovementioned shareholders.					

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

2. *Disclosure of Interests Pursuant to the Listing Rules of HKEx*

As at 31 December 2011, so far as is known to the Directors, Supervisors and senior management of the Company, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO were as follows:

Long positions in the domestic shares of the Company:

	(1) Number of domestic shares	Approximate percentage of total issued domestic share capital	Approximate percentage of total issued share capital
SIHCL	(3) 1,066,239,887	74.39%	48.89%
Shenzhen International (2)	(3) 1,066,239,887	74.39%	48.89%

Long positions or short positions in the H Shares of the Company:

	(4) Number of H Shares	Approximate percentage of total issued H Share capital	Approximate percentage of total issued share capital
Allianz SE	(5) 52,378,000	7.00%	2.40%
Advance Great Limited	(6) 43,536,000	5.82%	2.00%
Shenzhen International (2)	(6) 43,536,000	5.82%	2.00%
SIHCL	(6) 43,536,000	5.82%	2.00%
Veritas Asset Management (UK) Limited	(7) 40,028,000	5.35%	1.84%
JPMorgan Chase & Co.	(8) 37,559,021	5.02%	1.72%
Templeton Investment Counsel, LLC	(9) 37,376,000	5.00%	1.71%

Notes:

(1) Shares listed on SSE.

(2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.

(3) Interests of controlled corporations. 654,780,000 and 411,459,887 domestic shares were long positions held directly by XTC Company and SGH Company respectively as beneficial owners. SGH Company is a wholly-owned subsidiary of SGJ Shenzhen. XTC Company and SGJ Shenzhen are wholly-owned subsidiaries of Shenzhen International Limited. Shenzhen International Limited is a wholly-owned subsidiary of New Vision Limited. New Vision Limited is a wholly-owned subsidiary of Shenzhen International. SIHCL, through its wholly-owned subsidiary Ultrarich International Limited, indirectly held 48.59% interests in Shenzhen International. Pursuant to the SFO, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

(4) Shares listed on the main board of HKEx.

(5) These 52,378,000 H Shares were interests of controlled corporations of Allianz SE, including long positions of 20,144,000 shares directly held by RCM Asia Pacific Ltd., long positions of 4,478,000 shares directly held by Allianz Global investors Taiwan Limited, long positions of 22,306,000 shares directly held by Allianz Global Investors Luxembourg S.A., long positions of 1,900,000 shares directly held by Allianz Global Investors Advisory GmbH, long positions of 2,000,000 shares directly held by Allianz Global Investors Ireland Limited, long positions of 628,000 shares directly held by Allianz Belgium S.A. and long positions of 922,000 shares directly held by Allianz Global Investors (UK) Limited, all of which are wholly-owned subsidiaries of Allianz SE.

(6) These 43,536,000 H shares were long positions held directly by Advance Great Limited as beneficial owner. Advance Great Limited is a wholly-owned subsidiary of Successful Plan Assets Limited. Successful Plan Assets Limited is a wholly-owned subsidiary of Shenzhen International Limited. For the relations among SIHCL, Ultrarich International Limited, Shenzhen International, New Vision Limited and Shenzhen International Limited, please refer to note (3).

(7) These 40,028,000 H shares were long positions held directly by Veritas Asset Management (UK) Limited as investment manager.

(8) These 37,559,021 H Shares were interests of controlled corporations of JPMorgan Chase & Co., including 37,559,021 shares of long position, 320,000 shares of short position and 37,231,021 shares of lending pool. These included long positions of 37,231,021 shares directly held by JPMorgan Chase Bank, N.A., long positions of 8,000 shares directly held by J.P. Morgan Whitefriars Inc. and long positions and short positions of 320,000 shares directly held by JF Asset Management Limited, all of which are wholly-owned subsidiaries of JPMorgan Chase & Co.

(9) These 37,376,000 H shares were long positions held directly by Templeton Investment Counsel, LLC as investment manager.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2011.

3. Information of the Controlling Shareholder

XTC Company, holding 30.025% of the Company's shares, is the largest beneficial shareholder of the Company. It was established on 8 September 1993. Its legal representative is Mr. Zhong Shan Qun and registered capital is RMB200 million. The principal business scope of XTC Company covers transportation information consulting, software development of transport platform and investment in various industrial projects (specific project shall be applied separately).

During the Reporting Period, there was no change in the controlling shareholder of the Company.

4. Information of the De-facto Controller

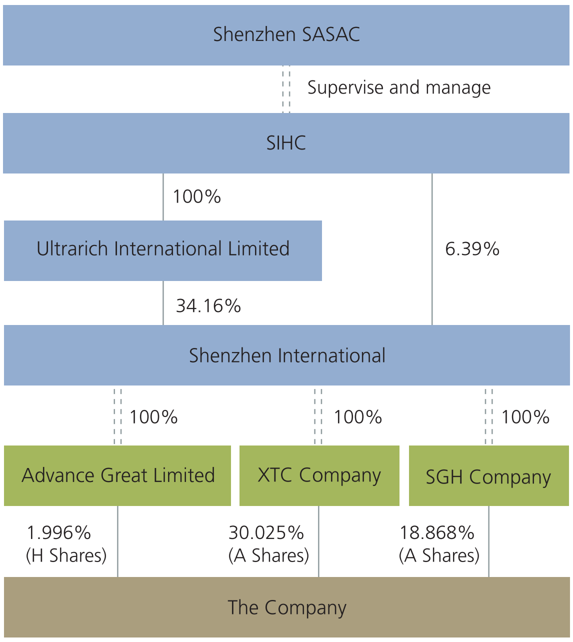
At the end of the Reporting Period, Shenzhen International held indirectly a total of 50.889% of the Company's shares, of which 654,780,000 A Shares held were through XTC Company, representing approximately 30.025% of the total share capital of the Company; 411,459,887 A Shares were held through SGH Company, representing approximately 18.868% of the total share capital of the Company; 43,536,000 H Shares were held through Advance Great Limited, representing approximately 1.996% of the total share capital of the Company.

Shenzhen International is a company incorporated on 22 November 1989 in Bermuda with limited liability and is listed on the main board of HKEx. Shenzhen International had issued a total share capital of HK$1,637,217,306.40 as at 31 December 2011. It is principally engaged in investment holding. The group, comprising the company, its subsidiaries, jointly controlled entities and associates, is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities. The de-facto controller of Shenzhen International is Shenzhen SASAC, which holds approximately 48.59% issued share capital of Shenzhen International.

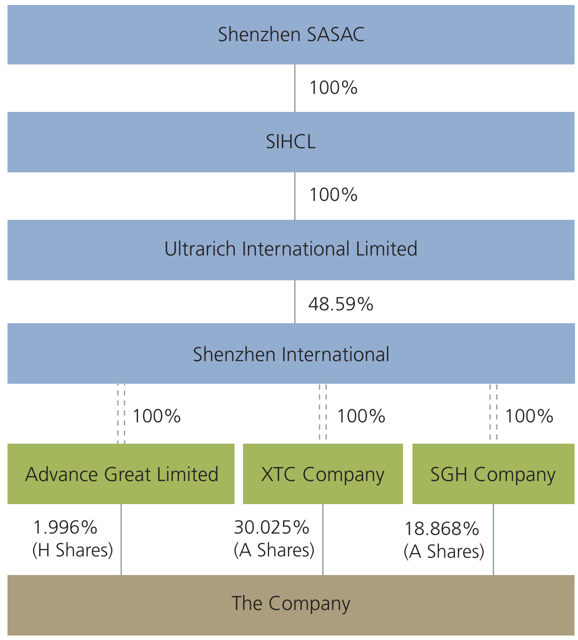
SIHC, an entity supervised and managed by Shenzhen SASAC, originally held 40.55% interests in Shenzhen International directly and indirectly. For the purpose of implementing the corporate mergers and reorganisation arrangement of Shenzhen Municipal Government, SIHC transferred all of its interests held directly and indirectly in Shenzhen International to SIHCL at nominal consideration. During the Reporting Period, the process of making application to CSRC for the wavier of making an offer for the shares of the Company has been completed. All of the processes of approval and registration of the abovementioned transfer have been completed. Before and after the completion of the transfer, the de-facto controller of the Company remains unchanged, which was and still is Shenzhen SASAC.

Before and after the completion of the transfer, ownership and the relation of control between the Company and the de-facto controller are as follows:

Before the completion of the transfer:



After the completion of the transfer:



5. *Information of other Legal Person Shareholders*

As at the end of the Reporting Period, other legal person shareholders beneficially holding more than 10% of the Company's shares included:

Name of shareholder	Percentage	Legal representative	Date of establishment	Registered capital	Major operating management activities
SGH Company	18.868%	Li Jing Qi	June 1993	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing

Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.

Directors, Supervisors, Senior Management and Employees

I. General Information of Directors, Supervisors and Senior Management in Office as at the End of the Period

Name	Title	Sex	Age	Term of the current session	Whether or not holding or traded shares of the Company
Yang Hai	Chairman of the Board	Male	50	Jan 2009-Dec 2011	No
Wu Ya De	Executive Director	Male	47	Jan 2009-Dec 2011	No
	President			Sep 2009-Aug 2012	
Li Jing Qi	Non-executive Director	Male	55	Jan 2009-Dec 2011	No
Zhao Jun Rong	Non-executive Director	Male	47	Jan 2009-Dec 2011	No
Tse Yat Hong	Non-executive Director	Male	42	Jan 2009-Dec 2011	No
Lin Xiang Ke	Non-executive Director	Male	55	Jan 2009-Dec 2011	No
Zhang Yang	Non-executive Director	Female	47	Jan 2009-Dec 2011	No
Chiu Chi Cheong, Clifton	Non-executive Director	Male	57	Jan 2009-Dec 2011	No
Lam Wai Hon, Ambrose	Independent Director	Male	58	Jan 2009-Dec 2011	No
Ting Fook Cheung, Fred	Independent Director	Male	64	Jan 2009-Dec 2011	No
Wang Hai Tao	Independent Director	Male	66	Jan 2009-Dec 2011	No
Zhang Li Min	Independent Director	Male	56	Jan 2009-Dec 2011	No
Zhong Shan Qun	Chairman of the Supervisory Committee	Male	47	Aug 2009-Dec 2011	No
He Sen	Supervisor	Male	38	Jan 2010-Dec 2011	No
Fang Jie	Supervisor	Male	51	Jan 2009-Dec 2011	No
Li Jian	Vice President	Male	53	Sep 2009-Aug 2012	No
Zhou Qing Ming	Vice President	Male	55	Sep 2009-Aug 2012	No
Ge Fei	Vice President	Male	43	Sep 2009-Aug 2012	No
Liao Xiang Wen	Vice President	Male	43	Sep 2009-Aug 2012	No
Gong Tao Tao	Financial Controller	Female	38	Sep 2009-Aug 2012	No
Wu Xian	Chief Engineer	Male	53	Sep 2009-Aug 2012	No
Wu Qian	Secretary of the Board	Female	40	Sep 2009-Aug 2012	No

II. Changes of the Directors, Supervisors and Senior Management

The term of office of the member of the fifth session of the Board and the Supervisory Committee of the Company expired on 31 December 2011. Mr. Lin Xiang Ke, a non-executive Director, as well as Mr. Lam Wai Hon, Ambrose and Mr. Ting Fook Cheung, Fred, Independent Directors, ceased to be Directors upon the expiry of their term of office.

At the Second Extraordinary General Meeting 2011 of the Company hold on 29 December 2011, Mr. Yang Hai, Mr. Wu Ya De, Mr. Li Jing Qi, Mr. Zhao Jun Rong, Mr. Hu Wei, Mr. Tse Yat Hong, Ms. Zhang Yang and Mr. Chiu Chi Cheong, Clifton were appointed as Directors of the sixth session of the Board, Mr. Wang Hai Tao, Mr. Zhang Li Min, Mr. Au Sing Kun and Mr. Lin Chu Chang were appointed as Independent Directors of the sixth session of the Board, and Mr. Zhong Shan Qun and Mr. He Sen were appointed as shareholders' representative Supervisors of the sixth session of the Supervisory Committee. Besides, Mr. Fang Jie was elected as staff representative Supervisor of the sixth session of the Supervisory Committee in the staff representatives' meeting. The term of office of the member of the sixth session of the Board and the Supervisory Committee commenced on 1 January 2012 and shall end on 31 December 2014.

Mr. Yang Hai and Mr. Zhong Shan Qun have been elected as the Chairman of the Board at the Directors' meeting and the chairman of the Supervisory Committee at the Supervisors' meeting hold on 5 January 2012 respectively.

III. General Information of Directors, Supervisors and Senior Management

1. Biography of the Directors, Supervisors and Senior Management

Members of the Sixth Session of the Board

Mr. YANG Hai *Chairman of the Board, chairman of the Strategic Committee, member of the Nominations Committee*

Mr. Yang was born in 1961, senior engineer. He joined Shenzhen International in March 2000, had been a general manager of a subsidiary of Shenzhen International, a vice president of Shenzhen International, etc. He has been an executive director of Shenzhen International since August 2007, and currently he is also a director of an unlisted subsidiary of Shenzhen International. Mr. Yang has been the Chairman of the Company since April 2005, and currently he is also the chairman of Mei Wah Company, which is invested by the Company.

Mr. WU Ya De *Executive Director, member of the Strategic Committee*

Mr. Wu was born in 1964, senior political officer. Mr. Wu has been a Director of the Company since January 1997. He has successively been the acting General Manager, General Manager/President of the Company since January 2002, and currently he is also the chairman of Qinglian Company and the executive director of Outer Ring Company, which are invested by the Company.

Mr. LI Jing Qi *Non-executive Director, member of the Strategic Committee*

Mr. Li was born in 1956, senior economist. Mr. Li had been an executive director and vice president of Shenzhen International from March 2000 to August 2006, and has been an executive director and president of Shenzhen International since August 2006, and currently he is also directors of various unlisted companies which are subsidiaries of or invested by Shenzhen International. Since April 2005, Mr. Li has been a Director of the Company.

Mr. ZHAO Jun Rong *Non-executive Director*

Mr. Zhao was born in 1964, economist, lawyer. Mr. Zhao joined Shenzhen International in October 2001, and since then had successively been legal consultant, assistant to the president and concurrently manager of strategic development department. Since June 2007, he has been a vice president of Shenzhen International, and is currently also the chief legal consultant of Shenzhen International. He is also directors of JEL Company and Magerk Company, both of which are jointly invested by the Company and Shenzhen International, and directors of various unlisted companies which are subsidiaries of or invested by Shenzhen International. Since January 2009, Mr. Zhao has been a Director of the Company.

Mr. HU Wei *Non-executive Director, member of the Risk Management Committee*

Mr. Hu was born in 1962, senior economist. Mr. Hu had worked in China Everbright Bank from June 2001 to August 2011, successively been the general manager of branch office, general manager of corporate business department of Shenzhen branch, and deputy director of the southern audit center of the headquarter. Mr. Hu joined Shenzhen International in August 2011 as a vice president. Since January 2012, Mr. Hu has been a Director of the Company.

Mr. TSE Yat Hong *Non-executive Director*

Mr. Tse was born in 1969, a fellow of the Hong Kong Institute of Certified Public Accountants and a certified public accountant of CPA Australia. Mr. Tse has been the chief financial officer of Shenzhen International since June 2000. He had also been the company secretary of Shenzhen International, the Joint Company Secretary of the Company, and is currently also directors of various unlisted companies which are subsidiaries of or invested by Shenzhen International. Since January 2009, Mr. Tse has been a Director of the Company.

Ms. ZHANG Yang *Non-executive Director, member of the Risk Management Committee*

Ms. Zhang was born in 1964, political officer. Ms. Zhang joined CM Huajian in 1994, and since then had successively been department deputy manager, department manager and assistant to general manager. She has been a deputy general manager of CM Huajian since April 2007. Since March 2001, Ms. Zhang has been a Director of the Company.

Mr. CHIU Chi Cheong, Clifton *Non-executive Director, member of the Strategic Committee, the Audit Committee and the Remuneration Committee*

Mr. Chiu was born in 1954, a certified accountant in USA. Mr. Chiu has been the managing director of Harvester (Holdings) Company Limited since January 1994, and currently he is also a member of Process Review Panel for the SFC. Mr. Chiu had been an Independent Director of the Company from December 1996 to December 2002. Since 2003, he has been a non-executive Director of the Company.

Mr. WANG Hai Tao *Independent Director, chairman of the Remuneration Committee and the Nominations Committee*

Mr. Wang was born in 1945, senior economist. Mr. Wang joined China Merchants Bank in April 1994, and since then had successively been executing deputy officer of administrative office of headquarter, officer of training centre, general manager of administrative department, vice chairman of the labour union of headquarter, and retired in February 2006. Since January 2009, Mr. Wang has been an Independent Director of the Company.

Mr. ZHANG Li Min *Independent Director, chairman of the Audit Committee, member of the Remuneration Committee*

Mr. Zhang was born in 1955, professor in accounting, certified public accountant of PRC. Mr. Zhang had been a professor in accounting and tutor of doctorship in School of Business of Sun Yat-Sen University from 1999 to 2009. He has been a professor in accounting and tutor of doctorship in School of Economics and Management of Beijing Jiaotong University since 2009. He is also a deputy chairman of China Audit Society and a member of Firm Disciplinary Committee of The Chinese Institute of Certified Public Accountants, etc. Since January 2009, Mr. Zhang has been an Independent Director of the Company.

Mr. AU Sing Kun *Independent Director, chairman of the Risk Management Committee, member of the Audit Committee*

Mr. Au was born in 1952. He had worked in HSBC from 1978 to 2009, and had been the operation director of HSBC (China), the president of HSBC Shenzhen Branch, the chief executive officer of HSBC (Macau), etc. Since his retirement in 2009, Mr. Au has been a director of Nice International Investments Limited. Since January 2012, Mr. Au has been an Independent Director of the Company.

Mr. LIN Chu Chang *Independent Director, member of the Strategic Committee and the Nominations Committee*

Mr. Lin was born in 1969. Mr. Lin had been the chief financial officer of China Resources Land Limited from 2002 to 2006, the chief financial officer and executive director of Longfor Properties Co. Ltd, from 2006 to 2010. He is currently the chairman and executive president of Jeffrey Investments Limited. Since January 2012, Mr. Lin has been an Independent Director of the Company.

Members of the Sixth Session of the Supervisory Committee

Mr. ZHONG Shan Qun *Chairman of the Supervisory Committee*

Mr. Zhong was born in 1964, engineer. Mr. Zhong joined XTC Company in January 1994 and served in sequence as manager of the engineering department, assistant to general manager, deputy general manager and general manager. He has been the chairman and general manager of XTC Company since September 2005 and a vice president of Shenzhen International since June 2007. Currently he is also directors of various unlisted companies which are subsidiaries of or invested by Shenzhen International. He had been a Director of the Company from January 1997 to April 2005 and the chairman of the Supervisory Committee of the Company from January 2006 to September 2007. Since August 2009, Mr. Zhong has been the chairman of the Supervisory Committee of the Company.

Mr. HE Sen *Supervisor*

Mr. He was born in 1973, senior accountant. Mr. He Joined GDRB Company in March 2001, serving successively as the finance manager of Shunde Shunda Road Company Limited, assistant to general manager, vice general manager and chief accountant of Guangdong Guangshao Expressway Company Limited, and deputy manager of finance department of GDRB Company. Since November 2009, he has been the manager of finance department of GDRB Company. Currently he is also supervisors of various unlisted companies which are subsidiaries of or invested by GDRB Company. Since January 2010, Mr. He has been a Supervisor of the Company.

Mr. FANG Jie *Supervisor (representing the staff)*

Mr. Fang was born in 1960, senior engineer. Mr. Fang had worked in XTC Company from January 2001 to March 2007. He joined the Company in April 2007, and has successively been the general manger of Project Development Department, the director of Chief Engineer Office of the Company. Currently he is also a director of Advertising Company, which is invested by the Company. Since August 2008, Mr. Fang has been the staff representative Supervisor of the Company.

Other Directors in office as at the end of the Period

Mr. LIN Xiang Ke

Mr. Lin was born in 1956, senior political officer, senior accountant. Mr. Lin had been the chairman of SGH Company from 1999 to 2009 and has been the general manager of SGH Company since April 2004. Since January 2009, he has also been the chairman of Shenzhen International Huatongyuan Logistics Co., Ltd., a subsidiary of Shenzhen International. Mr. Lin had been a non-executive Director of the Company from June 1998 to December 2011, and a member of the Risk Management Committee during his term of office of the fifth session of the Board.

Mr. LAM Wai Hon, Ambrose

Mr. Lam was born in 1953, a fellow of the Institute of Chartered Accountants in England and Wales and a member of the Hong Kong Institute of Certified Public Accountants. Mr. Lam established Access Capital Limited with its co-founder in 2000 and had been a director of the company. In May 2011, Access Capital Limited was renamed as Investec Capital Asia Limited, and Mr. Lam is the chief executive officer of the company. From January 2009 to December 2011, Mr. Lam had been an Independent Director of the Company, as well as the chairman of the Audit Committee and a member of the Strategic Committee.

Mr. TING Fook Cheung, Fred

Mr. Ting was born in 1947. Mr. Ting had been an Administrative Officer of the Hong Kong Government since 1971, working in various government departments. Mr. Ting had been in directorate posts for over twenty-five years, and retired in October 2007. From January 2009 to December 2011, Mr. Ting had been an Independent Director of the Company, as well as the Chairman of the Remuneration Committee and a member of the Nominations Committee.

Senior Management

Mr. WU Ya De *President*

Please refer to the section "Members of the Sixth Session of the Board" above for details of his biography.

Mr. LI Jian *Vice President*

Mr. Li was born in 1958. Mr. Li joined the Company in 1996, served successively as the manager of the Operations Department, the manager of the Investment and Development Department and the Operations Controller of the Company. Since August 2007, he has been a Vice President of the Company. Currently he is also directors of certain companies invested by the Company. Mr. Li is mainly responsible for the arrangement of the Company's strategy planning, equity financing and investment project management as well as the study and promotion of new industry.

Mr. ZHOU Qing Ming *Vice President*

Mr. Zhou was born in 1956, senior engineer, registered safety officer. Mr. Zhou joined the Company in 1998, serving successively as the Administrative Officer, the Assistant to General Manager and the Administrative Controller of the Company. Since August 2007, Mr. Zhou has been a Vice President of the Company. He is currently the Representative of the Management of the System Construction of the Company, and directors of certain companies invested in by the Company or the Company is entrusted to manage. He is mainly responsible for the unified management of toll highway operation system and the Company's quality system management.

Mr. GE Fei *Vice President*

Mr. Ge was born in 1968, engineer. Mr. Ge joined the Company in 1998, had been a deputy manager of the Engineering Department, the general manager of the Project Management Office and the Engineering Controller of the Company, etc. Since August 2007, Mr. Ge has been a Vice President of the Company and currently also directors of certain companies invested by the Company or the Company is entrusted to manage. Mr. Ge is mainly responsible for the unified management of construction of projects and the promotion of new industry.

Mr. LIAO Xiang Wen *Vice President*

Mr. Liao was born in 1968, doctor of laws. Mr. Liao joined the Company in 2004, serving successively as deputy manager of Public Relations Department, deputy manager of Human Resource Department, Secretariat Officer of the Board etc. He has been the general manager of Human Resource Department since November 2005. Since September 2009, Mr. Liao has been a Vice President of the Company and currently also a director of a company invested by the Company. Mr. Liao is mainly responsible for the human resources, legal matters, public relations, development of corporate culture, and administrative management of the Company.

Ms. GONG Tao Tao *Financial Controller*

Ms. Gong was born in 1973, certified public accountant of PRC, certified public valuer of PRC. Ms. Gong joined the Company in 1999, serving successively as deputy manager of the Finance Department and the manager of the Internal Audit Department. Since November 2002, Ms. Gong has been the Financial Controller of the Company. Currently she is also directors of certain companies invested by the Company. Ms. Gong is mainly responsible for the overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, preparation of periodic financial reports, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans.

Mr. WU Xian *Chief Engineer*

Mr. Wu was born in 1958, senior manager, registered supervising engineer. Mr. Wu joined the Company in 1996, had been the Deputy General Manager of the Company, the general manager of the Project Management Office, the Technical Controller of the Company and a director and the general manager of Qinglian Company, etc. Since August 2007, Mr. Wu has been the Chief Engineer of the Company, and currently also directors of certain companies invested by the Company. Mr. Wu is mainly responsible for arrangement and management in technical works, project prophase management and safety management of the Company.

Ms. WU Qian *Secretary of the Board, Company Secretary*

Ms. Wu was born in 1971, certified public accountant of PRC, economist. Ms. Wu joined the Company in 2003. She had been the manager of the Internal Audit Department of the Company and has been the Secretary of the Board of the Company since September 2004. She is currently also the Company Secretary of the Company. Ms. Wu is mainly responsible for the information disclosure, the management of investor relations, corporate governance of the Company and coordinating the work of the Board, etc.

From left to right in front row: Gong Tao Tao, Wu Ya De, Yang Hai, Wu Qian.
From left to right in back row: Wu Xian, Li Jian, Zhou Qing Ming, Liao Xiang Wen, Ge Fei.

2. Apart from those described in biography, main positions of the Directors, Supervisors and senior management in shareholder or enterprises hold by shareholder are as follows:

Name	Name of the entity	Position	Term
Yang Hai	XTC Company	Director	Jul 2002-Now
	CSG Holding Co., Ltd [1]	Supervisor, chairman of the supervisory committee	May 2002-Apr 2011
Li Jing Qi	XTC Company	Director	Jul 2002-Now
	SGH Company	Chairman	Jun 2009-Now
	CSG Holding Co., Ltd [1]	Director	May 2000-Now
	Ultrarich International Limited	Director	May 2007-Now
Zhao Jun Rong	XTC Company	Director	Jun 2009-Now
	SGH Company	Director	Jun 2009-Now
Zhang Yang	Sichuan Expressway Co., Ltd. [2]	Director, vice chairman	Jun 2001-Now
	Jilin Expressway Company Limited [2]	Vice chairman	Feb 2010-Now
	Henan Zhongyuan Expressway Company Limited [2]	Director	Nov 2009-Now
	Jiangsu Expressway Co., Ltd. [2]	Director	Nov 2007-Now

Note:

(1) This Company is a listed company hold by Shenzhen International.

(2) All these Companies are listed companies hold by CM Huajian.

3. Apart from those described in biography, main positions of Directors, Supervisors and senior management in other entities are as follows:

Name	Name of the entity	Position
Wu Ya De	Shenzhen Fenda Technology Co., Ltd.	Independent director
Lam Wai Hon, Ambrose	China Agri-Industries Holdings Limited	Independent director
Zhang Li Min	Shenzhen Chiwan Petroleum Supply Base Co., Ltd.	Independent director
	Tianjin Benefo Tejing Electric Co., Ltd.	Independent director
Fang Jie	Sichuan New Road and Bridge Mechanism Co., Ltd.	Director

4. For details of the professional experiences of the member of the sixth session of the Board and Supervisory Committee of the Company, please refer to the announcements of the Company dated 9 November 2011 or 29 December 2011 and the circular dated 10 November 2011. The website of the Company is also available for such information.

IV. Interests and Remuneration of Directors, Supervisors and Senior Management

During the Reporting Period, none of the Directors, the Supervisors or the senior management had held or traded the share of the Company, or had been granted incentive share option by the Company. For details of the interests of the Directors, the Supervisors or the senior management in contracts or securities of the Company and/or controlling shareholder, please refer to relative contents in Chapter VI of this annual report.

For details of the determination of the remuneration of the Directors, the Supervisors or the senior management of the Company and their receiving during the reporting period, please refer to "Report of the Remuneration Committee" in Chapter IX and notes 7(5)(e)~(g) to the Financial Statements in Chapter XII of this annual report.

V. Basic Information of Employees

At the end of the Reporting Period, the Group (including the Company and the subsidiaries consolidated into the financial statements) had 3,113 employees, of whom 686 were management and professional staff, while 2,427 were toll collection staff. 23% of the Company's staff held tertiary or above qualifications, and 93% of the management and professional staff held tertiary or above qualifications, among whom 14% held master degrees or above and 49% held bachelor degrees.

For details of remuneration and benefits, development and trainings, and the rights of employees, please refer to the relative contents in "Report of the Remuneration Committee" in Chapter IX and Chapter XI of this annual report.

Corporate Governance

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Corporate Governance Practice Report

The Company believes that sound corporate governance enables the Company to achieve healthy and stable development, enhance its image in the industry and capital market and gain recognition and confidence of its development from investors, creditors, partners, society and so forth. The Company has always been committed to promoting sound governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

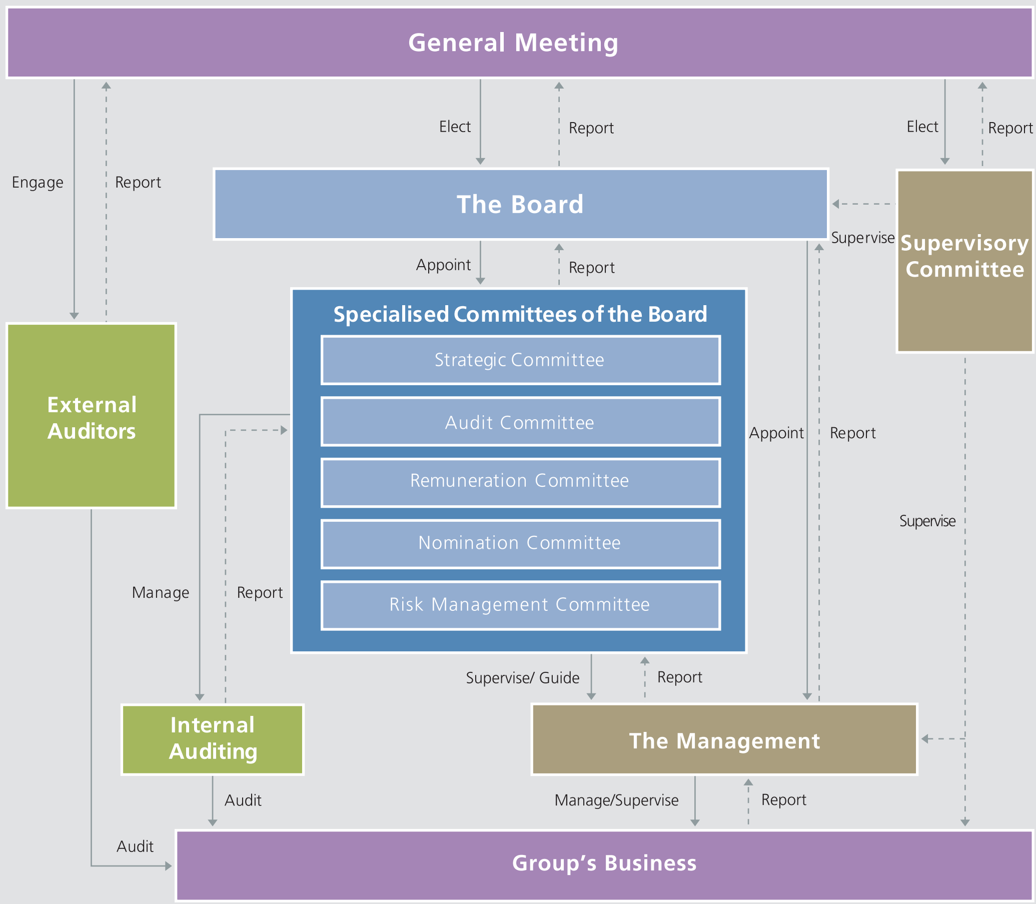
The Company is listed on both SSE and HKEx. Besides complying with the applicable laws and regulations, we have to comply with the requirements of the Code of Corporate Governance for Listed Companies of CSRC and the Code on Corporate Governance Practices as set out in Appendix 14 to the Listing Rules of the HKEx regarding the practice of corporate governance. During the Reporting Period, there was no substantial difference between the actual condition of corporate governance of the Company and the requirements stipulated in the Code of Corporate Governance for Listed Companies and the Company has fully adopted the code provisions of the Code on Corporate Governance Practices. In addition, the Company has also adopted most recommended best practices of the Code on Corporate Governance Practices, which have gone beyond the requirements of the code provisions in certain aspects.

Compared to the code provisions of the Code on Corporate Governance Practices, the Company has better governance practice in the following aspects:

- ☑ The adoption of the cumulative voting system for election of Directors;
- ☑ The appointment of 4 Independent Directors, accounting for 1/3 of the Board membership; the stipulation on the terms of office for Independent Directors of no more than 6 years;
- ☑ The establishment of the Nomination Committee and the Risk Management Committee under the Board, in addition to the Audit Committee and the Remuneration Committee, all being mainly comprised of Independent Directors and Non-executive Directors with each committee chaired by an Independent Director;
- ☑ Purchase of insurance on Directors' and senior officers' liabilities;
- ☑ The provision of independent channel for the Audit Committee to obtain information about fraudulent risks and the establishment of the Anti-fraudulent Work Regulation;
- ☑ The engagement of external auditors for auditing the internal control over financial reporting;
- ☑ The incorporation of the standards under Appendix 10 to the Listing Rules of HKEx into the much stringent Securities Transaction Code of the Company;
- ☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- ☑ Preparation and publication of quarterly results announcements;
- ☑ Regular publication of the Social Responsibility Report.

I. Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management, and has continued to review and enhance such structure by means of practice. It has formulated multi-tier governance rules based on the Articles of Association, aiming to clearly define the duties, limit of authority and code of conduct. The current governance structure of the Company is shown as follows:



Governance Structure of Shenzhen Expressway

In 2011, the Company reviewed and revised such systems related to corporate governance as the terms of reference for the specialised committees and Rules on Performing Duties by the Secretary to the Board of Directors, and formulated and implemented Rules on Performing Duties by Financial Officer and The Quality Controlling Procedures for Evaluation of Internal Control. Upon the approval of the general meeting, minor amendments has been made to the Articles of Association during the year in compliance with the requirement of preparation of only one version of Financial Statements by the Company based on China Accounting Standards since the 2011 fiscal year. The Company planned to fully organise and review the Articles of Association and its schedules for making related rules and management process clearer and for consistency with the corporate governance practices in 2012.

The primary documents of the Company's Governance Rules, including the Articles and the schedules to the Articles (Rules of Procedures for the Shareholders' Meeting, Rules of Procedures for the Board of Directors and Rules of Procedure for the Supervisory Committee), Work Guidelines for Independent Directors, Work Details for the President and Terms of Reference for each specialised committee, are available for inspection or downloading in the column headed "Corporate Governance" on the Company's website.

II. General Meetings and Shareholders

The general meeting is the institution vested with the supreme authority of the Company, where duties and powers are exercised in accordance with the laws to make decisions on significant matters of the Company. Subject to the stipulated procedures and requirements, shareholders of the Company individually or collectively holding 10% or more of the voting shares are entitled to request the Board to convene an extraordinary general meeting or a class shareholder meeting, while shareholders individually or collectively holding 5% or more of the voting shares are entitled to propose new motions at the annual general meeting. Detailed provisions in relation to specific procedures and arrangement for the convening, proposal and holding of and voting at the general meeting are set out in the Articles of the Company and the schedules to the Articles (Rules of Procedures for the Shareholders' Meetings).

The general meeting is one of the major channels for direct communication between the management and shareholders. Therefore, the Company encourages all shareholders to attend the general meeting and requests all directors and senior management to make their best efforts to attend. The Company will give a notice of any general meeting at least 45 days prior to the date of such meeting, and provide shareholders with any information necessary for them to attend and make decision at the meeting, including the agenda, description of procedures for shareholders' attending in person or by proxy and instructions for the completion of the forms, method of vote-counting, proposed resolutions for consideration as well as contact information for shareholders' enquiries. A shareholder who is unable to attend the general meeting in person may make decision based on such information and appoint his or her proxy (whether a shareholder of the Company or not) to attend and vote at the general meeting. At the annual general meetings, all shareholders are entitled to raise questions to Directors regarding issues about the Group's business operation and results. During the Reporting Period, the Chairman of the Company attended all general meetings, all chairmen of the specialised committees under the Board or their representatives attended the annual general meeting, and the members of independent directors committee attended the general meeting held for the consideration of the connected transaction(s), to answer shareholders' questions where necessary. During the year 2011, the Company held three general meetings. For details, please refer to Chapter VI of this annual report.

Details of the Company's Shares and substantial shareholders are set out in Chapter VII of this annual report. The Group has maintained separation and independence from the substantial shareholders and the controlling shareholders in terms of business, staff, assets, institution and finance, possessing independent and integral businesses and the capability of independent operation. The substantial shareholders or controlling shareholders of the Company have never been involved in any acts of by-passing the general meetings in ultra vires interference with the Company's decision-making or operations during the Reporting Period. Assets contributed by the promoters when the Company was established were separated and intact, and independently managed with distinct ownership, and change of ownership of non-monetary assets contributed had been completed. Currently, SIHCL and Shenzhen International, the controlling shareholders of the Company, hold 100% interests of the Coastal Expressway (Shenzhen Section) and 89.93% interests of Longda Expressway respectively. The Company has been entrusted to manage the project companies which own the said toll road assets, and relevant shareholders has undertaken to deem the Company as the only vehicle for the ultimate consolidation of its expressway business, so as to support the Company's business developments. Details and performance of the relevant undertakings are set out in Chapter VI of this annual report.

III. Board

1. Responsibilities and Division of Work

The Board is responsible for leading the Group's development, establishing the Group's strategic goals, and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The principal duties of the Board are to exercise management and decision-making powers according to the authorities granted at the general meeting in respect of the Company's development strategies, management structure, investment and financing, planning, financial control, human resources, and so forth. The Articles and the schedules to the Articles (Rules of Procedures for the Board of Directors) have already spelt out the Board's duties and authorities in respect of the Company's development strategies and management as well as its duties and authorities to supervise and inspect the Company's development and operation.

The Chairman of the Board of the Company is Yang Hai, while the President is Wu Ya De. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals, ensuring the Board functions effectively and assuring good corporate governance practice and procedures for the Company. The President, with the support and assistance of the Board and other senior management members of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions. The Articles of the Company and the schedules to the Articles (Rules of Procedures for the Board of Directors) as well as the Work Details for the President set out the authorities and duties of the Chairman and the President of the Company respectively.

2. *Composition*

The Board comprises 12 Directors. During the Reporting Period, the members of the Board are:

Composition of the Fifth Session of the Board		
Executive Directors	Non-executive Directors	Independent Directors
Yang Hai (Chairman of the Board)	Li Jing Qi	Lam Wai Hon, Ambrose
Wu Ya De	Zhao Jun Rong	Ting Fook Cheung, Fred
	Tse Yat Hong	Wang Hai Tao
	Lin Xiang Ke	Zhang Li Min
	Zhang Yang	
	Chiu Chi Cheong, Clifton	

The current Board is the fifth session of the Company, with a term from 1 January 2009 to 31 December 2011. The current Board members came from various industry backgrounds with professional expertise in highway industry, project construction, accounting and auditing, finance and securities, law and administration, and some of them (including the Independent Directors) possess professional accounting qualifications or expertise in financial management. A majority of the members have experience in working for listed companies. The members of the sixth session of the Board as elected by the general meeting took office on 1 January 2012, and the members of the Board are:

Composition of the Sixth Session of the Board		
Executive Directors	Non-executive Directors	Independent Directors
Yang Hai (Chairman of the Board)	Li Jing Qi	Wang Hai Tao
Wu Ya De	Zhao Jun Rong	Zhang Li Min
	Hu Wei	Au Sing Kui
	Tse Yat Hong	Lin Chu Chang
	Zhang Yang	
	Chiu Chi Cheong, Clifton	

The election and change of Directors and biographies of the Directors (including their professional experience and their principal positions in shareholder entities) are set out in Chapter VIII of this annual report.

3. *Procedures*

The Board holds one regular meeting each quarter and convenes ad hoc meetings when necessary. All Directors shall receive a written notice in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings shall be dispatched to all Directors at least 14 days before the meeting is convened, while notices of ad hoc meetings shall be dispatched at least 5 days before the meeting is convened. Any relevant documents containing the resolutions to be proposed to the Board for consideration shall be dispatched to all Directors at least 3 days before the meeting is convened. In 2011, the Board convened 9 plenary Board meetings to discuss and make decisions on issues covering the Group's operating and financial performance, planning and supervision, business development, investment and financing plans, management structure, information disclosure and nomination of Directors, details of which are set out in Chapter VI of this annual report.

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities on such aspects as external investment, acquisition and disposal of assets, pledge of assets and so forth, so as to enhance the overall quality and efficiency of decision-making of the Company. The Company has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the management of the Board on the authorised matters through establishing a regime on procedural management, documentation and regular reviews. In 2011, the Executive Directors held 5 meetings, on which they discussed and made decisions on matters regarding asset acquisition, entrusted construction of projects, management on investment and financing, human resource management and charity donations within their authorisation. Resolutions resolved by the Executive Directors have been submitted to the Board and Supervisory Committee in time.

In order to help the Board to discharge their duties and promote effective operation, five specialised committees have been set up under the Board. These committees review and monitor specific matters of the Company within their designated terms of reference, and make corresponding recommendations to the Board. Before the consideration of issues such as the Company's strategies, financial reports, accounting policies, project investment and the nomination, appraisal and remuneration of the directors and senior management, the Company submits the relevant resolutions to the committees for consideration and discussion. In 2011, the specialised committees convened 13 meetings. For details on the operation of the committees, please refer to "Specialised Committees of the Board" below.

The Company's management is responsible for supplying the Board and the specialised committees with the relevant information and data necessary within a reasonable time for the consideration of various resolutions, as well as making appropriate responses or providing further information upon the Directors' reasonable enquiries, so that the Board can make rational and scientific decisions on the basis of adequate understanding of the required information. When necessary, the Directors may individually and independently contact the Secretary to the Board directly to obtain more detailed information and opinions. The Board, the Independent Directors and the specialised committees of the Board may engage professional institutions or professionals to provide professional advice for the exercise of their duties and authorities or business needs, and reasonable fees incurred shall be borne by the Company.

The Board strictly implements a voting power challenge system during the proceedings of the Board. In 2011, interested Directors abstained from voting in compliance with the voting power challenge system when the connected transactions of the Coastal Project and Longda Project were considered by the Board of the Company. In addition, Independent Directors also expressed their views on the compliance of the procedures and the fairness of the transactions.

The minutes of the Board meeting contains detailed information of matters discussed at the meeting, including the factors considered by each Director, any questions raised or opposing opinions expressed, and the final decisions. The draft of the meeting minutes shall be dispatched to each Director for further opinion within a reasonable period of time after each meeting. The finalised version shall be kept properly according to the Company's file management rules and dispatched to each Director for inspection. Directors may also inspect the minutes any time through the Secretary to the Board.

IV. Directors

1. Appointment

Directors are elected or replaced at general meetings. Shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointment is subject to further consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. The Company's election of Directors adopts the cumulative voting system. The voting on the election of Independent Directors shall be conducted separately from that of Non-Independent Directors. The Company's Rules of Procedures for the Board of Directors list the Company's requirements on the qualifications and basic qualities of Directors, the ways of nomination and the proposing procedures. The Nomination Committee is responsible for qualification inspection and quality assessment on the candidates for directorship, as well as making proposals to the Board and providing explanations to the general meetings.

The term of the fifth session of the Board of the Company expired at the end of 2011. In this regard, the Company issued a voluntary announcement on 2 September 2011 explaining to all shareholders the arrangement for the handover of the Board and the matters related to nomination, including the election procedures for the new Board members, qualifications of the nominators, basic requirements for the qualifications of Directors and the required documents for the nominators and the nominees, to ensure the shareholders to have opportunities to exercise their nomination rights. On 29 December 2011, the Company convened an extraordinary general meeting and successfully elected the members of the sixth session of the Board. Details are set out in Chapter VIII of this annual report.

2. *Performance of Duties in the Year*

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2011 was 100%, while attendance in person was 92%. Attendance of members in person at the meetings of the specialised committees of the Board was 100%. The attendance of each Director at the Board meetings and specialised committee meetings during the Year is showed in the following table:

	Attendance in person/Total number of meeting						
Directors	Board	Attendance in person at Board meetings	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Yang Hai	9/9	100%	1/1	4*	2*	2/2	–
Wu Ya De	9/9	100%	1/1	4*	3*	1*	1*
Li Jing Qi	8/9#	89%	1/1	–	–	–	–
Zhao Jun Rong	8/9#	89%	1*	–	–	–	–
Tse Yat Hong	8/9#	89%	1*	–	–	–	–
Lin Xiang Ke	8/9#	89%	1*	–	–	–	2/2
Zhang Yang	8/9#	89%	1*	–	–	–	2/2
Chiu Chi Cheong, Clifton	7/9#	78%	1/1	5/5	3/3	–	–
Lam Wai Hon, Ambrose	8/9#	89%	1/1	5/5	–	–	–
Ting Fook Cheung, Fred	9/9	100%	1*	2*	3/3	2/2	–
Wang Hai Tao	9/9	100%	1*	2*	3/3	2/2	–
Zhang Li Min	8/9#	89%	–	5/5	–	–	2/2

#: Directors who were unable to attend meetings in person had appointed other Directors as their proxies to attend and vote at the meetings on their behalf.

*: Observed at the meeting.

During the Reporting Period, the Company's Directors took the initiative to understand the Company's operation and operating development, attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner, adequately capitalising on their respective professional experience and expertise. They provided independent judgment, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work to the best interests of the Company as its objective.

3. *Independent Directors and Their Independence*

The Company has appointed a sufficient number of Independent Directors. The Company's Independent Directors were able to perform their duties independently and were not subject to the influence of the Company's substantial shareholders, de facto controllers or other units or individuals having interests in the Company. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that, for the year ended 31 December 2011, the Independent Directors of the fifth session of the Board have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent.

In 2011, apart from attending Board meetings and specialised committee meetings seriously, the 4 Independent Directors of the Company have provided written independent opinions on matters such as the Company's external guarantees, changes in accounting estimates, connected transactions, nomination and remuneration of the directors, and convened two meetings with the external auditors to discuss the annual audit arrangement and problems identified in the audit.

During the Year, Lam Wai Hon, Ambrose and Ting Fook Cheung, Fred, Independent Directors, voted against the resolution as considered by the Board on entering into a contract with People's Government of Longli County Guizhou Province to develop Guilong Project. Lam Wai Hon, Ambrose, an Independent Director, indicated that the performance of the contract might expose the Company to risks and prejudice to the future development of the Company and Ting Fook Cheung, Fred, an Independent Director, expressed that it would bring the Company with higher risks to perform the contract, and in particular when the external environment became worse, it would bring relatively adverse effect to the Company. Having comprehensively considered the current operating environment and risk control measures, the Board had the opinion that it would be a desirable attempt to conduct this project for the sake of the Company's business expansion and the overall development strategies of the Company, and thus the Board approved the project. The Company also fully appreciated the opinions expressed by the Independent Directors, and took measures to reduce and control the risks. Therefore, the Company subsequently introduced and worked with partners to develop the project. Details are set out in the announcement and information of the Company dated 12 August and 27 October 2011. Other than the matter as mentioned above, the Independent Directors gave no dissent to the matters discussed by the Board and did not propose to convene any Board meeting and general meeting or publicly collect voting rights from shareholders during the Reporting Period.

4. Remunerations of Directors

The Company has been disclosing the remunerations of Directors, Supervisors and senior management on a named basis. For details of the Company's remuneration policies, the appraisals and incentive regimes for senior management and the annual remunerations of the management, please refer to Section 3 Report of the Remuneration Committee in this Chapter.

5. Securities Transactions by Directors

The Securities Transaction Code of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEx entitled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities as a written guideline to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff members, and timely updates have been made. The Securities Transaction Code of the Company has incorporated the standards under Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to a certain extent.

After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that none of them held or dealt with the securities of the Company and all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

6. Insurance on Directors' Liabilities

In accordance with the approval and authorisation of the general meeting, the Company has purchased liability insurance for the Directors, Supervisors and senior management since 2008.

7. Support for Performance of Duties

During their respective terms of office, all Directors are able to duly obtain from the Secretary to the Board the relevant information and updates on the required statutory, regulatory and other continuing obligations that a director of a listed company should comply with. Each Director is provided with channels to independently contact and communicate with the Company's senior management and secretaries to specialised committees when necessary.

In 2011, the Company offered supports to the Directors for their performance of duties through:

◆ arrange the management to report at Board meetings on the progress of the Group's substantial matters;

◆ arrange annual reporting sessions to report to the Directors in details on the Group's operation and financial condition;

◆ arrange the Directors to visit the Guilong Project and Qinglian Project on site in June 2011 and October 2011 respectively to enable the Directors to have an understanding of the progress of the key works and specific works in a timely and deeper manner;

◆ prepare five issues of "Reference Document Summaries" and six issues of "Market News Briefings", to provide the Directors with the most updated regulatory policy documents and relevant reports and analyses on the securities market and the news media;

- arrange the Independent Directors and candidates for Independent Directors to participate in training sessions organised by securities regulatory authorities, and invit Company's legal advisor to hold lectures for the Directors on the updates of rules and regulations. In January 2012, after the new Directors had reported duties, the Company provided them with Director's Manual and arranged an orientation activities for them to enable them to have a comprehensive and systematic understanding of the basic operations of the Company and the domestic and overseas requirements and principles related to corporate governance.

V. Specialised Committees of the Board

Five specialised committees have been set up under the Board. Each committee has formulated its terms of reference which explicitly explain and define their duties and powers, and such terms of reference are subject to the approval of the Board. The terms of reference of each committee are available on the website of the Company for the access of investors and the public.

Members of the specialised committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. Other than the Strategic Committee, the chairmen of other specialised committees are held by the Independent Directors. During the Reporting Period, the composition of each committee was as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Yang Hai	Lam Wai Hon, Ambrose Independent Director	Ting Fook Cheung, Fred Independent Director	Wang Hai Tao Independent Director	Zhang Li Min Independent Director
Members:	Wu Ya De Li Jing Qi Chiu Chi Cheong, Clifton Lam Wai Hon, Ambrose Independent Director	Chiu Chi Cheong, Clifton Zhang Li Min Independent Director	Chiu Chi Cheong, Clifton Wang Hai Tao Independent Director	Yang Hai Ting Fook Cheung, Fred Independent Director	Lin Xiang Ke Zhang Yang

In January 2012, the Board organised a new session of specialised committees. The composition of each committee is as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Yang Hai	Zhang Li Min Independent Director	Wang Hai Tao Independent Director	Wang Hai Tao Independent Director	Au Sing Kun Independent Director
Members:	Wu Ya De Li Jing Qi Chiu Chi Cheong, Clifton Lin Chu Chang Independent Director	Chiu Chi Cheong, Clifton Au Sing Kun Independent Director	Chiu Chi Cheong, Clifton Zhang Li Min Independent Director	Yang Hai Lin Chu Chang Independent Director	Zhang Yang Hu Wei

The Company has appointed appropriate management personnel to serve as the secretaries to the committees. All items passed at the meetings of the committees are recorded and on file. The chairmen of the committees are responsible for the report on the work of the committees at the Board meeting, and submission of relevant minutes for filing. The duties of each committee in 2011 are set out as follows:

1. Strategic Committee

The Strategic Committee was established in November 2001. It is responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

During the Reporting Period, the Strategic Committee held one meeting, at which the committee heard the specific report from the management on the work and proposal for the implementation of the strategic objective of the Company, and made a profound analysis and have discussions on such matters as the core business of the Company and the expansion into new industry.

2. *Audit Committee*

The Audit Committee was established in August 1999. It comprises Non-executive Directors, with the majority being Independent Directors. The committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting; evaluating whether the Company's internal control regimes are sound and effective; coordinating the auditors' work and reviewing the efficiency and quality of their work and their appointments; and reviewing written reports furnished by internal audit officers as well as the management's feedback to such reports. As approved by the Board, the committee also took the responsibility of the control and daily management of connected transactions of the Company since 2011. The Audit Committee has the regime of holding independent meetings at the request of auditors, the Company's management or the Audit Department, so as to ensure independence and objectivity of reporting. During the year, the Audit Committee and the auditors held one independent meeting.

In 2011, the major tasks of the Audit Committee include periodical review of the financial statements, examination of connected persons list, supervision and evaluation of the internal control systems, coordination and evaluation of the work of auditors and making recommendations for appointments. The committee has submitted a specific report on progress of each task. For details, please refer to Section 2 Report of the Audit Committee in this Chapter.

3. *Remuneration Committee*

The Remuneration Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for studying and examining the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Company's Directors and senior management, and conducting appraisals thereof.

In 2011, the major tasks of the Remuneration Committee include appraisal of the management's operating performance during the previous year, examination of the management's operating targets for this year, review of the remuneration package and the disclosure of the Directors and senior management, and the submission to the Board of the proposed remuneration package for the Directors of the sixth session of the Board. The committee submitted a special report on the progress of each task and the Company's remuneration and benefit policy and performance appraisal system as of the date of this report. For details, please refer to Section 3 Report of the Remuneration Committee in this Chapter.

4. *Nomination Committee*

The Nomination Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for examining or devising the Company's human resources development strategies and planning; and conducting studies and making proposals in respect of nominees, nomination criteria and nomination procedures for the Company's Directors and senior management.

In 2011, the Nomination Committee held two meetings, at which the committee reviewed the candidates for directorship and their qualifications, and discussed the setting up and composition of the new session of the specialised committees of the Board.

5. *Risk Management Committee*

The Risk Management Committee was established in August 2004 and comprises Non-executive Directors. The Committee is responsible for formulating policies on risk management, instructing the management to establish a risk management system, supervising the group's overall risk position, and analysing and monitoring the risk position of the Company's material projects.

In 2011, the Risk Management Committee held two meetings, at which the committee reviewed the annual risk review and management plans of the Company, and examined the modification of financial risk warning systems by the Company and the risk assessment on Guilong Project.

VI. Audit Supervision

The financial statements contained in the Company's 2011 annual report were prepared in accordance with CAS, and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian"). During and prior to the accounting year of 2010, the Company prepared two financial statements in accordance with HKFRS and CAS, respectively. Upon the acceptance of CAS by HKEx, the Company determined to prepare one version of financial statements according to CAS commencing from the accounting year of 2011, so as to improve the efficiency, reduce the cost for disclosure and enhance the consistency of the disclosed information. Upon the approval of general meeting, the Company appointed PwC Zhong Tian as the Company's statutory auditors for the year 2011, to perform such duties as performed by the Company's international auditor as provided in the Listing Rules of the Stock Exchange. PricewaterhouseCoopers ("PwC Hong Kong") resigned as international auditors for the Company on 17 May 2011. In addition, PwC Zhong Tian was appointed as the Company's auditor on internal control for the year 2011. PwC Zhong Tian was appointed as statutory auditors since 2004. It has been providing audit services to the Company for 8 consecutive years and has changed its endorsing certified public accountants in 2006, 2008, 2009 and 2011 respectively.

The remunerations of the Company's auditors (PwC Zhong Tian and any other entities under the common control, ownership or management, including but not limited to PwC Hong Kong) in the year 2011 are set out as follows:

(Unit: RMB'000)	**2011**	2010
Financial statements audit / review fees	**2,980**	3,400
Internal control audit fees	**700**	–
Specific service fees related to issue of securities	**100**	–
Others [(2)]	**484**	304

Notes:

(1) The auditors have submitted to the Company a written confirmation in respect of the total amount of the aforementioned remuneration.

(2) JEL Company has been consolidated into the Company's financial statements since 1 July 2011. During the year 2010 and 2011, the company engaged PwC Hong Kong to perform audit service. The audit fees amounted to HKD400,000 and HKD400,000 respectively.

(3) Qinglian Company and Advertising Company, the Company's subsidiaries, engaged Pan-China Certified Public Accountants Company Limited to perform audit services. The audit fees for the year 2011 amounted to RMB80,000 and RMB20,000 respectively (2010: RMB80,000 and RMB20,000).

The Audit Committee is responsible for conducting a comprehensive and objective assessment on the completion of the annual audit and the quality of professional services of the auditors, and made recommendations to the Board in respect of the appointment or replacement of auditors. The appointment or replacement of auditors as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. The Audit Committee has conducted a summary evaluation on the 2011 auditing work and has made proposals to the Board on the appointment of the Company's auditors for 2012. For details, please refer to Section 2 Report of the Audit Committee in this Chapter.

VII. Supervisory Committee

The Supervisory Committee is accountable to the shareholders' general meetings and independently exercises its supervising authority upon the Company in a lawful manner, to prevent the legal rights and interests of the shareholders, the Company and its staff from being infringed. The Supervisory Committee's main duties include examining the financial positions of the Company, supervising the Company's decisions and their operating procedures on material operational activities and connected transactions, supervising the acts of the Directors and senior management discharging their duties to ensure its lawfulness and compliance. The Articles and its appendix (the Rules of Procedure for the Supervisory Committee) of the Company set out the powers and authorities of the Supervisory Committee in details.

The Supervisory Committee of the Company is composed of three Supervisors, including two shareholders' representative Supervisors and one staff representative Supervisor. The size and composition of the Supervisory Committee are in compliance with the requirements of the relevant laws and regulations. During the Reporting Period, the members of the Supervisory Committee were Zhong Shan Qun (Chairman of the Supervisory Committee), He Sen and Fang Jie. The current Supervisory Committee is the fifth session of the Company, with a term from 1 January 2009 to 31 December 2011. Upon the election of general meeting and annual staff representatives' meeting of the Company, the aforementioned individuals continue to hold the positions of Supervisors for the sixth session of the Supervisory Committee of the Company, with a term from 1 January 2012 to 31 December 2014, and Zhong Shan Qun, a Supervisor, was elected again as the chairman of the Supervisory Committee. For the biographies (including professional experiences and principal positions in shareholder entities), term of the Supervisors and the general election of Supervisors, please refer to Chapter VIII of this annual report.

In 2011, the Supervisory Committee held six meetings, and represented the shareholders to supervise the Company's finance and the performance of duties by the Directors and senior management to ensure its lawfulness and compliance. Details of the performance of duties by the Supervisory Committee are set out in Chapter X of this annual report.

VIII. Internal Control

The Board is responsible for developing and maintaining an internal control system of the Company to review the effectiveness of important control procedures for finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets.

Under the authorisation granted by the Board, the Audit Committee is responsible for continuous supervision and review of the soundness and effectiveness of the Company's internal control system, and reporting the same regularly. In August 2000, the Company established the Audit Department which is responsible to the Audit Committee. The Department is responsible for reviewing the Company's operating and management activities and the effectiveness of internal control system independently, and directly reporting to the Audit Committee.

To further fulfill the requirements of Internal Control of Enterprises-Basic Principles ("Basic Principles") and relevant Supplementary Guidelines jointly issued by five ministries including Ministry of Finance, the Company formulated the implementation plan for internal control in 2011, further specifying the tasks and targets for the establishment and improvement of internal control system, self-assessment and auditing. During the Reporting Period, all the main tasks progressed as scheduled, and the Company's internal control system was further strengthened.

In 2011, the Board evaluated the related internal control in the Group's financial report according to the Basic Principles. The scope of evaluation includes the Company, Advertising Company, Qinglian Company and Magerk Company, which was the three main subsidiaries of the Company, and covered main business and matters of these aforementioned companies. In the opinion of the Board, the Group has established internal control for the business and matters being incorporated in the scope of evaluation, and has implemented effectively to meet the Company's goal for internal control, and there was no material deficiency. In addition, PwC Zhong Tian appointed by the Company has audited the effectiveness of internal control relating to the financial reporting, and issued unqualified audit opinion.

During the course of self-assessment on the internal control system, the Company has considered five major basic aspects of internal control, namely control environment, risk assessments, control activities, information and communication, and supervision. The identification and evaluation results of each aspect are summarised as follow:

Control Environment	Corporate governance structure is clear with regulated operation; the Board is composed of Directors with appropriate knowledge, skills and qualities, and has sound structure and division of duties.
	A President Accountability System under the leadership of the Board and a Delegated Representative System through authorisation were established; internal functional unites were properly set-up, with timely adjustment, division of duties and authorisation based on business development needs; relevant regulations on the avoidance of appointment of financial personnel were formulated and the organisational structure and division of duties of financial department are reasonable and is in compliance with the internal control system.
	Development strategies were formulated, and a comprehensive budget, quality, risk and performance management system was implemented with up-to -date management tools to ensure the achievement of the overall strategic goal.
	The management attached importance to the cultivation of corporate culture, set up fundamental direction of integrity and stable development, and formulated the "Employee Manual" and the "Anti-fraudulent Work Regulation" to regulate employees' behaviors, integrity and conduct.
	National laws and regulations and policies are strictly complied with, the documents on the procedures for and implementation of human resources management were prepared, detailed procedures for employment, enrollment, training, appraisal, remuneration and benefits and demission of employees were developed.

Risk Assessments	Uniform Procedures for Risk Control Management were established to define the risk assessment model and the risk evaluation criteria, and qualitative evaluation was carried out to evaluate risks from two dimensionalities, i.e. probability and impact of the risks.
	On preparation of the annual work plans and special plans, those risk factors that may affect the achievement of the goals were comprehensively identified and assessed, and correspondent risk response measures and annual risk management plan were formulated, material risks on the corporation level was identified as the key area of the annual risk management, and the implementation of the risk management plan were reviewed and assessed in the middle and at the end of the year.
	In 2011, the annual indicators and intervals of the financial warning were reviewed and revised, the Group's financial risks warning indicator system was monitored monthly and the results was reported to the Company's management and Risk Management Committee of the Board.

Control Activities	A general internal control management system covering various segments and such key areas of management supporting those segments as investment, project construction, maintenance and repair, toll collection, financial management, know-how and information management, human resources, information disclosure, management of invested companies and internal audit was established.
	Such control measures as incompatible duties separation control, authorisation approval control, accounting system control, asset protection control, budget control, operation analysis control and performance assessment control were adopted, and the documentation of internal control management system was continuously improved and modified in line with the change of business development and relevant regulations, so as to ensure the compliance, rationality and applicability of the Company's internal control management system.

Information and Communication	The management prepared and submitted to the Board a quarterly analysis report on the operating activities and timely reported to the Board on important or sensitive information and extraordinary issues regarding the Company.
	Meetings for management members were regularly convened so that they are able to timely understand the operation of the invested enterprises and the progress of constructions and the spending of the budget for each project.
	The Rules Governing Information Disclosure Matters of the Company was effectively implemented during the reporting period. The Company has set up the Responsibility, System for Major Errors in Information Disclosure in Annual Reports. During the Reporting Period, there was no major error in information disclosure in the Company's Annual Report.
	A wide range of investor relation activities was held to promote a full understanding of the operations and development prospects of the Company by investors and the public; dedicated staff members were assigned to collect, process and analyze external information in order to prepare reports for internal circulation; an investor hotline and customer enquiry and complaint hotlines were set up to conscientiously handle opinions and suggestions made by investors and customers.
	Independent hotline, email box and mailbox for reporting fraud were set up, and posted in the internal and external websites of the Company.

Internal Supervision	A documentation system for management supervision were established.
	The Standards Management Department was set up as an internal quality control unit to continuously examine the compliance of the internal control system of the Group; an "Internal Auditor" system was set up under which the internal auditor is responsible for routine examination and self-evaluation of the implementation of the internal control procedure.
	A supervision system on the internal control inspection was set up on the basis of Internal Control Manual and self-assessments on internal control were regularly carried out.
	During the Reporting Period, the Audit Department carried out a comprehensive review, walk-through test and sample test on the Internal Control Manuals of the Company, Qinglian Company, Advertising Company and Magerk Company. In respect of any internal control deficiency found in the tests, it timely offered feedback to the management for carrying out rectification.
	The Audit Department has reviewed all periodic reports prepared by the Company during the Reporting Period. It has reviewed the preliminary drafts of the periodic reports to ensure the compliance with statutory rules on disclosure and completeness and accuracy of the disclosed issues; and submitted internal review reports to the Audit Committee.

The purpose for the establishment of the internal control system is to manage the potential risks as it will be unrealistic to eliminate all of the risks. In view of the inherent limitations in the internal control system, the Company's internal control system only provides reasonable but not absolute assurance to the achievement of the Company's operation goals. Meanwhile, the Company also believes that the coverage of internal control should be in line with the Company's operating scale, business scope, competition condition and risks levels, and shall be timely adjusted to reflect the change of circumstances. It would be a persistent and continuous task to improve the internal control system, regulate the implementation of the system and strengthen the supervision and examination of the internal control.

IX. Conclusion

The Company clearly understands that its commitment to the enterprise concept of integrity and diligence, adherence to sound corporate governance principles, efforts to enhance transparency and independence of its operations and the establishment of an effective accountability system all contribute to ensure its stable development and enhance shareholders' value, while a scientific and regulated decision-making system, a supervisory system with check and balance and effective execution are fundamental to the healthy and sustainable development of the Company. Therefore, the Company will continue to review and enhance its governance structure, establish sound operational rules, and continuously improve management efficiency and corporate governance to ensure its stable development and enhance shareholders' value.

By order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 28 March 2012

Report of the Audit Committee

The Audit Committee held five meetings in 2011, and held two meetings in early 2012 (up to the signing date of this report), to perform its work duties. The Audit Committee hereby reports the major tasks in the said period as follows:

I. Review of Periodic Financial Statements

The Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. Pursuant to the relevant procedures, the management is responsible for the preparation of the Group's financial statements, including the selection of appropriate accounting policies therefore; and the certified public accountants for the annual audit ("auditors") are responsible for auditing and verifying the Group's financial statements and evaluating the Group's internal control regimes for the preparation of financial statements of the Group; while the Audit Committee supervises the work of the management and the external auditors and approves the procedures and protective measures adopted by the management and the external auditors. The specific work of the Audit Committee includes the following:

- It reviewed the annual financial statements of 2010 and the unaudited financial statements for the first, interim and third quarters of 2011, and made recommendation to the Board for approval.

- It reviewed such matters related to the preparation of financial reports as the Company's internal control system, post establishments, manpower allocation, training courses. And the committee considered that the Company's resources and participation, and the qualifications and experience of relevant staff members, in the accounting and financial reporting functions were satisfactory during the Reporting Period.

- Before the annual audit for 2011 began, members of the Audit Committee and the Independent Directors of the Company have obtained the Work Plan on the Preparation of Annual Financial Report and Annual Audit from the Company and the annual audit plan from the auditors for the annual audit. It also held meetings with the auditors for the annual audit and discussed the composition of its audit team, risk analysis, scope of audit, method of audit and focus of audit for the Year, and the schedule for the annual audit.

- Before the annual audit for 2011 began, the Audit Committee preliminarily reviewed the Group's 2011 financial statements and provided its written opinions. The committee paid special attention to the handling of the significant financial and accounting matters for the year 2011, gave preliminary approval to the management's opinions on handling such matters, and had the opinion that significant accounting estimates adopted by the Group were basically reasonable.

- After the auditors for the annual audit issued the preliminary audit opinion, the Audit Committee, the Independent Directors and the auditors for the annual audit held a meeting on 27 March 2012. The Audit Committee reviewed again the 2011 financial statements of the Group and had in-depth discussion and communication with the management and the auditors for the annual audit over the appropriateness of the accounting policies adopted by the Group and the reasonableness of the accounting estimates. The Audit Committee had the opinion that the accounting policies and accounting estimates adopted by the Group for 2011 met the requirements of the domestic and overseas accounting standards, and the significant accounting policy adopted was appropriate and the significant accounting estimates were basically reasonable.

- It reviewed the internal review report on 2011 annual report and the relevant review checklist submitted by the Audit Department of the Company, and examined the 2011 annual report in terms of the compliance with statutory disclosure rules and completeness and accuracy of the disclosed matters. It also examined the compliance with the rules on corporate governance and compliance of the corporate governance report disclosure of the Company in 2011.

- Through adequate communication in advance and timely supervision during the process, the auditors for the annual audit completed the annual audit as scheduled and submitted the 2011 audit report on 28 March 2012. Based on the aforementioned work and the audit report of the auditors for the annual audit, the Audit Committee had the opinion that the Group's 2011 financial statements truthfully and reasonably reflect the Group's operating results for 2011 and the financial position as at 31 December 2011, and thus suggested the Board to approve the same.

II. Supervision and Evaluation of Internal Control

The Audit Committee is responsible for assisting the Board in reviewing the effectiveness of the Group's internal control system, and the review covers the control of all key areas, including financial control, operation control, compliance control and risk management.

In 2011, the committee examined The Quality Controlling Procedures for Evaluation of Internal Control of the Company, reviewed the Management Manual on Internal Control, the main record for the Company's internal control evaluation, and defined the procedures and methods for internal control evaluation and the deficiency identification standard for internal control.

In 2011, as required by the internal control evaluation procedure, the committee considered and approved The 2011 Assessment Plan for Internal Control, and studied the progress of the Company's internal control establishment and evaluation tasks, including the preparation and review of Management Manual on Internal Control of each company covered in the scope of internal control evaluation and the key deficiencies found during internal control tests and their correction, through periodical summary of performance and reports submitted by Audit Department. In particular, the Audit Committee thoroughly reviewed the draft of internal control process test for the preparation of financial statements.

Based on the work as mentioned above, the committee reviewed The 2011 Assessment Plan for Internal Control, and assisted the Board in making independent evaluation on the effectiveness of the Group's internal control to ensure the establishment and implementation by the Group of a proper internal control system and procedures.

III. Control and Routine Management of Connected Transaction

According to the requirements of Connected Transactions Implementation Guidance of Listed Companies formulated by SSE and the approval of the Board, the Commission also undertook the duties relating to the control and routine management of connected transaction of the company since 2011, and accordingly revised the Terms of Reference of the Audit Committee. On the basis of the understanding related to identify and approval procedures of connected transactions, the Committee reviewed the connected persons lists of the Company during the year.

IV. Risk Management and Anti-fraudulent Work

During the Year, the Audit Committee continued to furnish the management with professional advice on the Group's significant matters and the enhancement of management standards, and reminded the management of any risks associated with such matters on an ongoing basis.

Since 2007, the Audit Committee has had an independent report-fraud mailbox to obtain fraud-related information in a timely manner, and a cooperation memorandum was reached with the Company's disciplinary supervision committee on this basis. In 2011, the Audit Committee provided guidelines for and supervision on the anti-fraudulent work of the Company in accordance with the Anti-fraudulent Work Regulation of the Company. It exchanged opinions with the auditors for the annual audit on risks of fraud and their management and control measures, studied the suggestions on internal control made by both Auditors and Audit Department of the Company and the feedback and the progress of rectification reported by the management, and reviewed the significant accounting policy and accounting estimates adopted by the management. Based on the work as mentioned above, the Audit Committee considered that the Company's risk management and control regarding anti-fraudulent has been effective.

V. Work Evaluation and Re-appointment of Auditors

In 2011, the Company appointed PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian") to conduct a consolidated audit on the annual financial statements and internal control system, and to perform its duties as the Company's international auditor as provided in the Listing Rules of the Stock Exchange.

In compliance with the requirements under the Management Rules for Selection of Certified Public Accountants for the Annual Audit of the Company, the Audit Committee summarised the audit work of PwC Zhong Tian in 2011. The Audit Committee had the opinion that PwC Zhong Tian performed well in terms of independence and objectivity, professional skills, quality and efficiency of financial information disclosure auditing, and the communication with the management, the Audit Committee and the Board and proposes the Company to re-appoint PwC Zhong Tian as the Company's auditor for the year 2012 to conduct a consolidated audit on the annual financial statements and the internal control system, and to perform its duties as the Company's international auditor as provided in the Listing Rules of the Stock Exchange.

Audit Committee
Zhang Li Min; Chiu Chi Cheong, Clifton and Au Sing Kun

Shenzhen, PRC, 28 March 2012

Report of the Remuneration Committee

According to the Terms of Reference of the Remuneration Committee approved by the Board, the Remuneration Committee is mainly responsible for studying and devising the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Company's Directors and the senior management, and conducting appraisals thereof. The committee aims at procuring the establishment and adoption of a reasonable performance evaluation system and incentive remuneration policies by the Company. This report will give an account of the performance of duties of the committee in the year, detail the remuneration and benefits policies and the performance evaluation system of the Company, and disclose the remuneration received by the Directors, Supervisors and senior management in 2011.

I. Work of the Remuneration Committee in the Year

The Remuneration Committee held three meetings in 2011. The works completed mainly include:

- appraising and evaluating the Company's management operating performance for 2010, and submitting the appraisal results to the Board for consideration;
- reviewing the execution of the remuneration plan for the Directors and senior management and proposing recommendations on rewards for senior management to the Board; reviewing the remuneration disclosure proposal for the Company's Directors, Supervisors and senior management for 2010;
- reviewing the management operating performance targets of the Company for 2011, conducting a comprehensive evaluation on the specific indicators and submitting such evaluation results to the Board;
- reviewing and amending the Terms of Reference of the Remuneration Committee;
- examining the implementation for employees' Housing Provident Fund Plan;
- formulating the proposed remuneration plan for the Directors of the sixth session of the Board of the Company, and submitting the plan to the Board for consideration.

As at the date of this annual report, the Remuneration Committee held its first meeting in 2012. The following matters were discussed and studied by the committee:

- In accordance with the management operating performance targets for 2011 as approved by the Board, the committee reviewed all indicators one-by-one. It appraised and evaluated the annual operating performance of the Company's management and reported to the Board on the appraisal results and review opinions;
- The committee discussed the key performance indicators and key tasks for 2012 proposed by the Company's management, and set out the operating performance targets for the Company's management for 2012 and submitted the same to the Board for consideration;
- The committee reviewed the implementation of the remuneration plan for the Directors and senior management for 2011; reviewed the remuneration disclosure proposal for 2011 for the Directors, Supervisors and senior management and concluded that the content and format of the remuneration disclosure proposal met the requirements of relevant regulations.

II. Remuneration Policies of the Directors/Supervisors of the Company

The remuneration of the Directors and Supervisors of the Company are determined in accordance with relevant PRC policies or regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting after separate deliberations by the Board and the Supervisory Committee. Based on the situation in the PRC, no further determination or payments of the Directors' or Supervisors' emoluments are made by the Company to the Directors or Supervisors who receive management remuneration from the Company or its shareholders.

The Remuneration Committee of the Board is responsible for advising the Board on formulating the proposal for the Directors' remuneration. At the end of 2011, the Committee submitted to the Board the proposed remuneration plan for the Directors of the sixth session of the Board with reference to the remuneration levels in the market and coupled with the actual situation of the Company and the candidates. The plan was presented to the second extraordinary general meeting of 2011 for consideration and was approved by the shareholders.

III. Remuneration and Benefits Policies of the Company

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefit (《薪酬福利管理程序》) of the Company. Staff remuneration and benefit comprise wage, performance bonus and statutory and company benefits which are based on the principle of "salary is based on the individual position and changes with the position", determined according to the market value of the position and the overall performance of staff, and are strategy, market and performance oriented and internally and externally impartial.

Pursuant to statutory requirements, the Company has participated in an employee retirement scheme organised by the local government authorities (social pension insurance), and has applied various protection plans such as basic medical insurance package, work injury insurance, unemployment insurance and child-bearing insurance for its employees. In 2011, the Company also participated in the Housing Provident Fund Plan maintained by the local government to improve its employees' affordability for housing and living standard. According to the relevant regulations, the Group should pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labor and social security authorities and housing provident fund management center respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund expense. Since 2006, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management staff members and key technical staff. For details of the benefits for employees, please refer to Chapter XI and note 5(15) to the Financial Statements in Chapter XII of this annual report.

Monthly salaries and performance bonuses of senior management account for approximately 60% and 40% of their total remuneration respectively, of which performance bonuses are calculated based on the completion of annual performance targets by them, and are proposed or reviewed by the committee.

IV. Performance Evaluation and Incentive System of the Company

The Board determines the Company's annual operating performance targets at the beginning of each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of Executive Directors and the management of the Company. In 2011, the Company determined its key performance targets in four aspects, namely finance, customers, internal process, learning and growing, and included return on shareholders' equity, operating revenue, expenses and profit indicators, external customers' satisfaction, investing and financing management, new industry promotion, operation and general management, team building, employee management and so forth.

Based on the operating performance targets approved by the Board, the Company is required to determine the yearly tasks and targets for staff members of all grades, and dissect and delegate the Company's objectives to the relevant departments and the staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate performance bonuses for Executive Directors and other senior management members accordingly. The remuneration of all senior management members are subject to review by the Remuneration Committee and are required to be reported to the Board.

To inspire all staff's initiative on working, in particular the core management and engineering and technical personnel, and motivate their creativity, the Board approved the implementation of the Performance Incentive Optimisation Scheme for the Staff (《人員績效激勵優化方案》) in 2007. Subject to the focus put on the construction and management between 2007 and 2009, we established medium-to-short-term strategic objective-based performance incentive regime. The scheme is closely related to the performance and the performance bonus of the staff are based on his achievement on the targets of the Company's and personal annual performance. In the meantime, we deferred the payment to the core management for their pro rata annual performance bonus, so as to attract, motivate and retain the talents, and encourage them to pay more attention on the long-term performance as well as strengthen the restrictive regime. According to the scheme, Supervisor Fang Jie, and senior management members, namely Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao and Wu Qian, received deferred payment of bonus (before tax) of RMB26,000, RMB78,000, RMB86,000, RMB83,000, RMB35,000, RMB79,000 and RMB85,000, respectively during the Reporting Period. The Company has not set up any long-term incentive program or adopted any share option incentive scheme for the time being.

V. Report on the Annual Remuneration of the Directors, Supervisors and Senior Management

According to the proposal approved at the general meeting, in the year 2011, four Independent Directors and Mr. Chiu Chi Cheong, Clifton, a Director not nominated by shareholders, received Directors' emoluments, while other Directors and Supervisors did not receive any Directors' or Supervisors' emoluments. All Directors and Supervisors may also be entitled to the meeting subsidies in accordance with relevant rules. The Company's Executive Directors, senior management and the staff representative Supervisor received management remuneration based on their specific management positions in the Company. Details of the remuneration received by the Directors, Supervisors and senior management of the Company holding a post as at the end of the Reporting Period for the year 2011 are as follows:

Unit: RMB'000 (before tax)

		Remuneration received from the Company during the Reporting Period			
Name	Title	Fee	(2) Salary	Total	Whether receive remuneration from shareholder or other connected entities
Yang Hai	Chairman of the Board	N/A	947	947	No
Wu Ya De	Executive Director and the President	N/A	958	958	No
Li Jing Qi	Non-executive Director	N/A	N/A	–	Yes
Zhao Jun Rong	Non-executive Director	N/A	N/A	–	Yes
Tse Yat Hong	Non-executive Director	N/A	N/A	–	Yes
Lin Xiang Ke	Non-executive Director	N/A	N/A	–	Yes
Zhang Yang	Non-executive Director	N/A	N/A	–	Yes
Chiu Chi Cheong, Clifton	Non-executive Director	350	N/A	350	No
Lam Wai Hon, Ambrose	Independent Director	150	N/A	150	No
Ting Fook Cheung, Fred	Independent Director	150	N/A	150	No
Wang Hai Tao	Independent Director	150	N/A	150	No
Zhang Li Min	Independent Director	150	N/A	150	No
Zhong Shan Qun	Chairman of the Supervisory Committee	N/A	N/A	–	Yes
He Sen	Shareholders' Representative Supervisor	N/A	N/A	–	Yes
Fang Jie (3)	Staff Representative Supervisor	N/A	535	535	No
Li Jian	Vice President	N/A	728	728	No
Zhou Qing Ming	Vice President	N/A	759	759	No
Ge Fei	Vice President	N/A	773	773	No
Liao Xiang Wen	Vice President	N/A	690	690	No
Gong Tao Tao	Financial Controller	N/A	773	773	No
Wu Xian	Chief Engineer	N/A	782	782	No
Wu Qian	Secretary of the Board	N/A	746	746	No
Total:				8,641	

Notes:

(1) The meeting subsidies (after tax) receivable for Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Lin Xiang Ke, Zhang Yang, Chiu Chi Cheong, Clifton, Lam Wai Hon, Ambrose, Ting Fook Cheung, Fred, Wang Hai Tao, Zhang Li Min and Supervisor Zhong Shan Qun, He Sen, and Fang Jie were RMB15,500, RMB14,500, RMB10,500, RMB9,000, RMB10,000, RMB11,500, RMB12,000, RMB14,500, RMB13,500, RMB16,000, RMB16,500, RMB15,500, RMB8,000, RMB8,500 and RMB9,500 respectively for 2011. Among them, Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong, Lin Xiang Ke, and Supervisor Zhong Shan Qun have declined the meeting subsidies receivable for the year.

(2) An employee's remuneration of the Company comprises position salary and performance bonus. In addition, pursuant to statutory requirements and the Company's regulations, employees enjoyed the statutory and company fringe benefits, including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme and the housing allowances. During the Reporting Period, Directors Yang Hai and Wu Ya De, Supervisor Fang Jie, senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian enjoyed benefits in amount of RMB149,000, RMB150,000, RMB135,000, RMB147,000, RMB148,000, RMB143,000, RMB141,000, RMB145,000, RMB148,000 and RMB143,000 respectively.

(3) According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For management staff members who participated in the plan, the Company will pay certain monthly vehicle subsidies in lieu of providing or arranging business vehicles for them. During the Reporting Period, Supervisor Fang Jie and senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian participated in the above plan. During the Reporting Period, the aforesaid persons received vehicle subsidies of RMB43,000, RMB60,000, RMB60,000, RMB38,000, RMB60,000, RMB60,000, RMB60,000 and RMB60,000, respectively.

VI. Ongoing Reviews

On the premise of seriously studying and complying with the relevant regulatory regulations and guidelines which have been promulgated, the Company will actively study a long-term incentive regime of share options. The committee will assist the Board to review the remuneration policies and incentive regime of the Company on an ongoing basis, and ensure that none of the Directors, senior management members or their associates is allowed to set his/her own remuneration.

Remuneration Committee
Wang Hai Tao; Chiu Chi Cheong, Clifton and Zhang Li Min

Shenzhen, PRC, 28 March 2012

Investor Relations

The Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Company establishes a smooth communication channel with investors and enhances mutual trust and interaction based on good information disclosure and initiating various investor relation activities, and respects investors' rights of knowledge and option.

The Company is devoted to facilitating continuous growth of its value and continuously enhancing its ability of wealth creation for its shareholders as its operating objectives, while asserting to reward its shareholders.

I. Information Disclosure

Information disclosure is not merely an ongoing responsibility and obligation that a listed company must fulfill. Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the basic principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and listing rules, and fulfilling the information disclosure obligations in a timely and accurate manner. When different requirements occur in Shanghai and Hong Kong capital markets, the Company compiles its documents and discloses information according to a principle of disclosing more instead of less content and complying with stringent instead of lenient requirements. On this basis, the Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns, so as to enhance the quality of the Company's information disclosure and to increase its transparency.

In 2011, the Company timely announced its annual, interim and quarterly reports and released approximately 50 announcements disclosing in detail the following information of the Company: operating results, daily operation, investment and financing activities, operations of the Board, the Supervisory Committee and general meetings, and so forth. The Company acted as an industry pioneer to, on its own accord, start to disclose its monthly operational statistics in the form of announcements. The Company also maintained to provide in-depth and comprehensive analyzes on its operating and financial positions as well as the major factors affecting its business performance in its annual reports, in addition to information on various risks faced by the Company in its operating activities and the coping measures, with a view to strengthening investors' understanding about the operations, management, and development trends of the Company.

II. Investor Relations Activities

The Company believes that effective two-way communication can, on the one hand, convey information which investors are concerned with so as to boost their confidence in the Company's future development, and on the other hand help the Company extensively collect feedback from the market to elevate the standards of the Company's governance and operations management. In organising investor relation activities, the Company mainly adopts the following approaches:

- Setting up an Investor Relations Department to ensure dealing with the needs and suggestions of the investors properly and timely.

- Making the public known the investor hotline and investor relations email box, and promptly responding to investors' enquiries. In 2011, the Company replied approximately 250 investors' enquiries through telephone or via email.

- Properly arranging visits and assistance for research upon the requests from the investors. In 2011, the Company received in aggregate of 35 investors' visits involving 55 visitors, with an open-minded attitude communicating with the investors, which has built up a direct communication mechanism between investors and the Company.

- Conducting various presentation activities, including organising results presentations and press conferences, online investor meetings, non-deal road-shows and reverse road-shows. The Company also participated in different investor forums for face-to-face interactions with investors. Details of various presentation activities of the Company during 2011 are as follows:

March	◆	Held annual results presentations and press conferences in Hong Kong and Shenzhen, and organised non-deal road-shows in Hong Kong
April	◆	Held an online investor meeting
May	◆	Participated in the "China Investment Forum" held by CLSA in Beijing
June	◆	Participated in "Information exchange day for enterprises in transportation industry " held by UBS in Hong Kong
August	◆	Held interim results presentations and press conferences in Hong Kong and Shenzhen, and organised non-deal road-shows in Hong Kong
September	◆	Organised "reverse road-show 2011"
October	◆	Held an online investor meeting
November	◆	Participated in the "China Investment Forum 2011" held by Merrill Lynch (Asia Pacific) Limited in Beijing
December	◆	Participated in "Information exchange day for Infrastructure enterprises" held by J.P. Morgan in Hong Kong

◆ Regularly dispatching investor e-news on the operations and developments of the Group. The Company issued a total of 6 issues of "E-flash Report" or "E-newsletter" in 2011, providing information to the investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Besides dispatched by means of email, "E-newsletter" and "E-news" is also uploaded to the Company's website for investors' access at any time.

◆ Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of Directors, Supervisors and the senior management and the Group's monthly operating performance at any time on the Company's website. The Company's website provides a fair, environmental-friendly and low-cost communication channel, and as such the Company will continue to strengthen the management and development of its content, with a view to providing richer and more timely information to investors.

◆ The Company's management put a high value on the communication with investors. During the year, the Chairman, President, Financial Controller, Secretary of the Board and other senior management of the Company participated in relevant investor relation activities to communicate with investors directly.

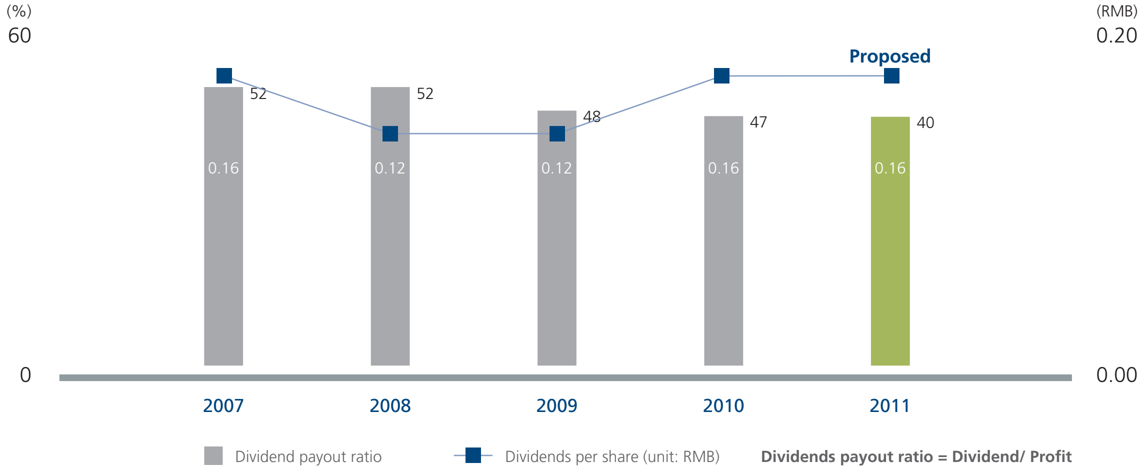
Investor Hotline: (86) 755-8285 3330
Investor Relations Email Box: ir@sz-expressway.com
Company Website: http://www.sz-expressway.com

III. Shareholder Return

The Company insists in rewarding its shareholders with high return ever since its flotation, underpinned by the payment of cash dividends for fourteen consecutive years with an aggregate cash dividend payment of approximately RMB3.42 billion.

The Board recommended the payment of a cash dividend of RMB0.16 per share for the year 2011, representing 40% of the earning per share. For details and policy and performance of cash dividends, please refer to Chapter VI of this annual report.

Historical Dividend Payout Ratio



Note: The dividend payout ratio was calculated based on the financial statistics of the year of payout without taking into consideration of the effect of changes in accounting policies thereafter.

Report of the Supervisory Committee

I. Meetings and Duty Performance of the Supervisory Committee

During the year of 2011, the Supervisory Committee convened 6 full meetings. These meetings, with proper service of notice and quorum, were held and resolved in accordance with the relevant laws and regulations and the requirements of the Articles.

The matters discussed by the Supervisory Committee during the Reporting Period include:

- Consideration of the work report and work plan of the Supervisory Committee for the year;
- Review of the changes in accounting estimates, the final accounts and budgets of the year, the profit distribution scheme for the year, and the periodic reports;
- Assessment on the duty performance of the Directors;
- Review of the connected transaction, including the entrusted construction management of Coastal Project and the entrusted management of the equity interests in Longda Company;
- Review of the nomination of the candidate for the new session of the Supervisors and the remuneration of Supervisors, etc.

During the year 2011, the members of the Supervisory Committee attended and observed at all the shareholders' meetings and Board meetings in accordance with the laws; reviewed the minutes of Board meetings, the minutes of Executive Directors meetings and signing of the written resolutions of the Board; and monitored the Company's decision-making procedures and the legality thereof, the Board's implementation of resolutions of the shareholders' meetings and senior management's discharge of their duties. The Supervisory Committee promptly informed the Board and the Company's management regarding any potential risks in relation thereto. In addition, the Supervisory Committee conducted regular checks on the fund transactions between the Company and the connected parties to see whether there was any occupancy and transfer of fund, assets, or other resources of the Company by the controlling shareholders and other connected parties.

During the Reporting Period, there was no incident about which the Supervisors disputed with the Directors or sued the Directors on behalf of the Company.

II. Opinion of the Supervisory Committee

Pursuant to the relevant requirements, the Supervisory Committee made the following independent opinions in relation to the relevant matters of the Company in the year 2011:

1. In 2011, the Company made its operation decisions strictly in accordance with the Company Law of the PRC, the Securities Law of the PRC, the Listing Rules, the Articles and other relevant rules and regulations; operated its business lawfully; continuously improved its internal control system; and raised its standards of corporate governance. All the directors and senior management of the Company, with a view to protecting the interests of the Company and its shareholders, diligently performed their duties.

2. Upon reviewing the unqualified auditors' reports issued by the Company's certified public accountants for the annual audit on the financial statements of the Company for the year 2011 prepared in accordance with CAS, the Supervisory Committee considered that the financial statements for the year 2011 have objectively, truthfully and fairly reflected the financial status, operating results and cash flows of the Company and the Group.

3. The Company completed the issuance of corporate bonds in amount of RMB1.5 billion to the public in August 2011. The proceeds were utilised for replenishing the working capital of the Company and/or its subsidiaries and for repayment of the existing debts of the Company. As at 31 December 2011, a total of RMB1,066 million out of the raised proceeds was utilised. The actual projects in which the proceeds utilised were consistent with the projects represented in the prospectus.

4. Upon review, during the Reporting Period, the Supervisory Committee was not aware of any unfairness or any situation in which the interests of the Company, shareholders or its staff were impaired by the connected transactions during the Reporting Period. During the Reporting Period, the aforesaid transactions had no effect on the independence of the Company. Details of the aforesaid transactions are set out in Chapter VI of this annual report.

5. The Supervisory Committee warrants the truthfulness, accuracy and completeness of the Supervisory Committee announcements. In addition, the Supervisory Committee supervises the discharge of relevant information disclosure duty by the Directors and senior management of the Company and inspects the implementation of the Rules Governing Information Disclosure Matters. During the Period, relevant rules and regulations of the Company were appropriately complied with. The Supervisory Committee was not aware of any major defect in the Rules Governing Information Disclosure Matters and its implementation in the year 2011 or violation of rules in information disclosure of the Company.

6. The Supervisory Committee conducted an assessment on the duty performance of the Directors for the year 2011. It was not aware of any situation in which the Directors violated the rules and regulations or the Articles of the Company, or the Directors impaired the Company's interests or failed to perform their duties properly.

7. The Supervisory Committee reviewed the Evaluation Report on Internal Control for the Year 2011, and is of the view that the report comprehensively and objectively evaluated the actual situation of the Company's internal control and has no disagreement with the report.

By Order of the Supervisory Committee
Zhong Shan Qun
Chairman of the Supervisory Committee

Shenzhen, PRC, 28 March 2012

Social Responsibility

The Company is principally engaged in the construction and acquisition of expressways, which not only meets the needs of society for rapid transportation, but also effectively facilitates the regional economic and social development. As such, the basic social responsibility of the Company is to provide high quality products and thereby "safe, rapid, economical and comfortable" transportation services to the society. Our concern about the possible defects of the products in the process of design, manufacture and delivery, and taking positive response measures in order to achieve in the harmony between products, people and nature also demonstrate the Company's commitment on the social responsibilities.

While providing products and services to generate profits, the enterprises should respect the interests of all stakeholders and continue to show their concerns for the impact on the environment. The stakeholders of the Company include its shareholders, customers, staff, creditors, service providers and the community. Such concerns and respects not only come from the importance of stakeholders to corporate development, but also from the gratitude and return of enterprises to the society and their environment for existence.

By showing our sincerity to act as a responsible corporate citizen, the Company instills the concepts of sustainability and social responsibility in our daily operation and corporate culture in order to actively assume the responsibilities to the stakeholders.

I. The Product Quality

The basic social responsibility and foundation of the Company is to provide safe and high quality expressway products and services to the society. In 2008, the Company has passed the ISO9000 certification, and re-designed, established and implemented the Company's quality control and management system based on the ISO9000 management standards. In 2011, the Company promoted to the subsidiaries under the Group ISO quality management system under which Qinglian Company prepared a set of comprehensive documents in relation to the quality system according to the standard requirement of ISO9000, and Longda Company, the Group's entrusted corporate, also passed the ISO9000 certification. Through the implementation of a systematic and informationalised quality control and management system within the Group, the Company is able to ensure the quality and safety of products and services provided.

For the management of highway construction, the Company has actively implemented standardised management and established a comprehensive business flow and quality control system which has been implemented and complied in each segment from project preliminary design, tendering to construction. With a quality management system that meets scientific standards and sound system implementation, the Company has continued to maintain a higher standard for the quality of the construction works of its projects. A number of individual construction works of Coastal Project which the Company was entrusted to construct were recognised as the model construction works for the construction of highways in Guangdong Province, and the quality of this project ranked among the best in the quality assessment of Guangdong Province regarding construction quality of highways under construction in 2011.

Strengthening highway maintenance management helps to prevent highway damages, timely eliminate hidden dangers to the safety, maintain sound highway technical conditions and extend useful life of existing highways, thereby effectively enhancing highway transportation efficiency. This represents an important foundation for ensuring safe, fast, efficient and comfortable road traffic. The Company has established an analysis system for maintenance management, and daily examinations, recurring examinations and regular examinations on managed expressways in accordance with the national highway maintenance technical regulations and evaluation standards, and closely monitors highway technical conditions, to timely identify highway damages. In the implementation process of maintenance work, the Company has strengthened its supervision and management over construction units, controlled its project quality in strict compliance with various technical regulations and defined the requirements of traffic safety facilities and warning signs in construction, to minimise the impact of construction on highway traffic and ensure traffic safety. During the Reporting Period, the highway Maintenance Quality Indicator of each expressway managed by the Company was graded as excellent or good.

In 2011, the Company specified the development direction of road maintenance in future from the traditional and passive maintenance model to the preventive maintenance model. The implementation of the preventive maintenance will maintain a higher standard of the road surface conditions and the indicators of expressways in the long run, further improving the safety and comfortability of the expressways.

In highway construction and maintenance management, the Company has continuously explored and applied new materials, new technologies and new processes, commissioned industrial experts to conduct specific technological studies and technical projects, and made important scientific achievements. Some research achievements are first of its kind in highway construction in the PRC, and recently, a number of results of innovation achieved by the Company have been included in industrial standard documents by relevant industrial departments. By promoting a culture of innovation and putting the results of such innovation into practice, the Company continues to enhance the quality of works and products and make active exploration and contribution to the advancement of the industry.

II. Customer Orientation

The customers (i.e. the clients) are the users of the products and services of the Company. Their recognition is the foundation of the sustainability of the Company, and the idea of "clients are our focus" represents our core operating concept.

The Company has established a customer service centre for the management of customer complaint, emergency response, survey on customer satisfaction, information collection and release, data rectification and operation coordination, formulated the required standards and prepared procedural documents for respective operation, and established a response mechanism for monitoring, coordinating, implementing and managing the customer services. Since its establishment, the customer service centre has fully carried out its functions as a coordinator for monitoring and supervising the traffic flow, carrying out emergency response and diverging the traffic flow, which has effectively improved the overall efficiency of daily toll collection and emergency operation.

Recently, with the rapid growth of vehicle ownership, the pressure from heavy traffic flow during peak hours on the holidays increases rapidly. To respond this, the operation management department of the Company will prioritise to establish, optimise and implement a emergency response system, and adopt various measures to ensure the smooth traffic flow during peak hours on the holidays or after emergent events or accidents by scientific analysis, organisation and coordination. The Company established a database for the traffic flow and a prediction model for the traffic flow during the peak hours. On this basis, the Company can, on one hand, reasonably allocate manpower, resources and various equipment for emergency to ensure the feasibility, reasonability and effectiveness of the emergency response, and on the other hand promote the concept of staggered shift to the drivers by recommendation of reasonable travelling routes through prior announcement or provision of information in relation to the possible locations and times on which peak traffic flow may occur. In addition, on the basis of sorting out and analysis on various scenarios, the Company has formulated the emergency response plan, procedures and action measures to regulate the emergency response and actions, and carried out emergency training and response drills. Meanwhile, in order to ensure smooth traffic flow, the Company worked closely with the traffic management department for centralised dispatch and direction to rapidly remove road blocks.

By setting up a multi-layered information communication platform, the Company has implemented its responsibilities for information collection, feedback, analysis and handling and established an effective communication mechanism with its customers, which keeps improving customer satisfaction. The Company, on one hand, emphasises on the management and announcement of information so as to provide timely information on road conditions to the drivers and passengers and on the other hand, collects customers' feedback and recommendations, listens and gets understanding the needs of the market and customers, and promptly handles customer complaints through various channels including hotlines, website, on-site, news media and competent authorities, which effectively improves and increases the quality of our service.

In 2011, the total annual complaint rate for the operation is 0.661 per 100,000 vehicles (2010: 0.596 per 100,000 vehicles) but the reasonable complaint rate is just 0.075 per 100,000 vehicles (2010: 0.095 per 100,000 vehicles). During the year, the Company has carried out the customer satisfaction survey mainly targeting at road users by means of questionnaire and telephone interview. According to the survey result, the overall customer satisfaction index for 2010 is 83.1 (2009: 82.6), indicating a continuous improvement in customer satisfaction survey.

III. Valuing the Staff

The staff is the backbone of the excellent results of the corporate. The Company values and protects the legal interests of its staff, strives to provide them with a safe and healthy working environment, continuously promotes the appreciation of human resources, builds a desirable career development platform for the staff in order to achieve a harmonious win-win situation between the interests of the staff and the Company.

1. The Interests and Benefits of the Staff

The Company keeps the philosophy of long-term employment, adheres to the equal opportunities for women and men and equal pay for equal work, and prohibits the employment of underage workers in any form. During the year, the Company provided 600 job opportunities for the society. In recruiting toll collectors, the Company has introduced a policy that gives priority to recruitment from underdeveloped regions in central and western China. This helps the toll collectors to improve their domestic financial situation as they work and live in Shenzhen and provides a platform for transmitting new thoughts and new philosophy, which in turn, improves the employment of residents in these regions and supports regional development.

The remuneration and benefit policies of the staff were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefit (《薪酬福利管理程序》)of the Company, details of which are set out in the section of Report of the Remuneration Committee in Chapter IX of this annual report. In 2011, the Company's payment of social insurance such as pension and medical insurance, and housing provident fund for the staff amounted to RMB10,592,000 (2010: RMB7,711,000) and RMB20,791,000 (among which, the amount contributed in 2011 was RMB8,845,000 and the voluntary contribution between May 2009 and December 2011 was approximately RMB11,946,000) respectively. Apart from statutory benefits, the Company has made regular enterprise pension contributions (supplementary pension insurance) for its management staff and key technical staff since 2006 in order to share the development achievement of the Company with its staff and ensure their living standard upon retirement, thereby building a long-term trust between the Company and its staff. For toll collectors who have been working over 5 years, the Company has launched a re-employment incentive payment scheme to finance staff to return to workforce on the basis of acknowledging their contributions to the Company. This provides more opportunities and choices for their career development. The Company has also voluntarily procured commercial insurance on personal accidents for all staff members, and the Company's labour union has initiated the "Employee Mutual Aid Fund for Major Diseases and Personal Accidents" to strengthen staff's ability of resisting the risks of illnesses and injuries. In 2011, the Company's payment of enterprise pension, re-employment incentives to 68 employees and distribution of mutual aid fund amounted to RMB3,395,000 (2010: RMB2,545,000), RMB463,000 (2010: RMB517,000) and RMB12,000 (2010: RMB116,000) respectively.

Valuing the safety and health of the staff, the Company uses its best endeavour to create a healthy and safe working environment for its staff by equipping with necessary occupational safety equipment and strictly implementing management regime for safe operation. It also enhances the safety awareness and skills of the staff by various methods. The Company has established various complaint and communication channels with its staff. Apart from the daily communication, performance interview and suggestion box for the staff, the Company's internal publication, staff forum in intranet and its e-mail are all effective channels for the staff to express their thought and for the management to listen to their staff's opinions and to give their feedback. The Company broadly listens to and follows up its staff's demand for their interests and their suggestions for the corporate development through annual staff representatives' meeting, symposium and questionnaire. In 2011, the Company collected approximately 53 opinions and suggestions from 30 staff members, and has fulfilled their demands or given corresponding explanations.

2. *Growth and Development of the Staff*

The Company sees human resources as valuable asset and helps the staff with continuous growth and self-realisation by setting up a multi-layered training system, a staff incentive system and career development system.

In 2011, the Company and its departments have organised 54 training sessions with accumulated training hours of 11,000 hours (2010: 9,980 hours) and training costs amounting to approximately RMB1,350,000 (2010: RMB1,153,000). 2,136 person-times (2010: 2,465 person-times) have participated in the training, and staff members of all levels from toll collectors to senior management received the training which covered all major business segments of the Company, including comprehensive management, operation management and professional skills. Meanwhile, The Company has built a knowledge management database and established an online training college in the intranet system and implemented academic qualification and professional examination system. Subsidies or incentives are granted to the staff members who take relevant academic qualification and professional examinations to encourage them for continuous learning and self-improvement.

The Company has set up a customer and business oriented performance management and remuneration incentive systems, under which various incentives such as performance bonus, salary adjustment, promotion, excellence appraisal and succession plans are provided to the staff based on the results of performance appraisals. For the purpose of meeting the Company's rapid development of the scale and the business, the Company provides more career opportunities for the staff and helps them improve their job skills by various measures including the establishment of reserve talent bank, the implementation of the "dual path" career development approach for administrative and technical posts and the establishment of the management system for the staff's career planning. The growth of the staff can promote the development of the Company, leading to a win-win situation between the Company and the staff.

IV. Environmental Protection

The Company has been prioritising the social responsibility in relation to the environmental protection and the conservation of resources as an critical issue of our corporate development, and strives to realise the philosophy of environmental protection into the practical activities such as the protection and use of soil and water resources, pollution prevention, resource recycling and application of new technology.

The Company sees reduction of energy consumption and carbon emission as its key concern in highway operation management, implements a model of Energy Management Contract and promotes low-carbon operation. Through strengthening the training for toll collection process and skill training, the Company has launched an activity of "Shortening 2 Seconds (縮短2秒)" for toll collection from a single car in order to increase the manual toll collection efficiency. In addition, measures such as setting up auto toll lanes and maintaining smooth road surface are adopted to help reduce petroleum consumption and exhaust emissions of vehicles. During the Reporting Period, the installation of road lighting and monitoring facilities was carried out on Nanguang Expressway, Jihe Expressway and Yanba A. The LED energy saving lighting facilities were installed on these sections and the trial investment model of Energy Management Contract (EMC) was for the first time used for road lighting installation work in Shenzhen. While enhancing the competitive advantage of the project, we have been committed to realise the Company's planning and idea of environment protection.

The Company is committed to the compliance of the environmental regulations of the industry and dedicates to incorporate the philosophy of green construction in highway construction management. In accordance with requirements under industrial standards, the Company made an assessment on the possible environmental impacts on the areas along the project and put forward measures and strategies for pollution prevention, reductions on the environmental impacts and improvement of existing environmental problems in the design and construction plan with reference to the scope and degree of such adverse effects. At the stage of construction, the Company strengthened its environmental monitoring and made stipulations in the contracts to regulate the activities of the construction units to minimise the nuisance from the construction sites to the residents nearby through various measures. In addition, the re-use of construction waste was encouraged to promote the recycling of resources.

During the previous two years, the Company has modified the road maintenance policy and cooperated with the industrial experts to carry out relevant studies on preventive maintenance, and implemented a technical program in relation to road surface preventive maintenance on our directly managed highways in Shenzhen regions during the year. In addition, the "Technology of Hot-in – Place Recycling for Asphalt Road Surface" (瀝青路面就地熱再生技術) has been introduced in the road maintenance projects. The implementation of new maintenance policy and technical plan not only saves the costs and enhances the conditions of the roads, but also reduces the energy consumption effectively and the environmental pollution.

V. Social Public Welfare

During the Reporting Period, the Company donated an aggregate of RMB850,000 for charity or social public welfare purposes, which is mainly for education, including incentives to those teachers with great contribution, subsidies to the students who need it as well as sponsor the schools in western regions for improving local education facilities.

While supporting the public welfare activities, the Company also encourages its invested companies and its staff members to participate in various public welfare events to actively make contribution to the society. In 2011, advertising companies also provided 68 advertising spaces for public welfare promotion purpose, involving a total area of over 25,000M^2. During the year, the volunteer teams of the Company made efforts to build a harmonious society and support the charity by organising donation activities, caring visits to singleton elders, orphans and disabled children and volunteer services for environment protection activities.

VI. Conclusion

On the backdrops of continuous volatile global financial market, intensifying European sovereign debt crisis and the deteriorating global eco-environment, the Company deeply understands that the integrity and the compliance of the business ethics are the key to sustainable development, and the commitment to accept social and environmental responsibility is the foundation of existence of every single economic body. A corporate will have more room for substantial development only if it strives to realise the combination of the benefits of the corporate and the society.

For the relationship and the practices between the Company and the stakeholders including the shareholders and the creditors, please refer to other sections in this annual report. The Company will complete the preparation and publication of the Annual Social Responsibility Report of the previous year in April every year, to strengthen the understanding and relationship between the stakeholders and the Company, and accept supervision of society.

Audits Report and 2011 Financial Statements

普华永道

To the Shareholders of Shenzhen Expressway Company Limited

We have audited the accompanying financial statements of Shenzhen Expressway Company Limited (hereinafter 'Shenzhen Expressway Company'), which comprise the consolidated and company balance sheets as at 31 December 2011, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

Management of Shenzhen Expressway Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

普華永道中天會計師事務所有限公司
PricewaterhouseCoopers Zhong Tian CPAs Limited Company, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Shenzhen Expressway Company as at 31 December 2011, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company	Certified Public Accountant	Yao Wen Ping
Shanghai, the People's Republic of China 28 March 2012	Certified Public Accountant	Hua Jun

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

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**

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

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**

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**

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**

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**

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**

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					
	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Minority interests	Total owners' equity
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**

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 December 2011					
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**

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

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)

(a) Financial assets (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.

(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%

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.

(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.

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

(12) Long-term equity investments (continued)

(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.

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.

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

(12) Long-term equity investments (continued)

(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.

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.

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

(13) Investment properties (continued)

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)).

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

(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.

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.

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

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

(17) Intangible assets (continued)

(a) Concession intangible assets (continued)

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.

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.

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

(17) Intangible assets (continued)

(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)).

(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.

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

(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.

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.

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

(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.

(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.

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

(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.

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.

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

(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.

(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%.

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.

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3 Taxation (continued)

(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

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(All amounts in RMB unless otherwise stated)

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	RMB 3,105,959,997.64	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 Guangdong indirect holding	Shenzhen City, agency Province, PRC	Advertising	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

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

5 Notes to the consolidated financial statements (continued)

(2) 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	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%

(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	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%

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

	Relationship with the Group	31 December 2011 Amount	% of total balance	Provision for bad debts	31 December 2010 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%	-	–	–	–

5 Notes to the consolidated financial statements (continued)

(2) 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 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.

(g) 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

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(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

(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.

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

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

	Relationship with the Group	31 December 2011 Amount	% of total balance	Provision for bad debts	31 December 2010 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%	–

(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.

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

5 Notes to the consolidated financial statements (continued)

(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.

(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 Notes to the consolidated financial statements (continued)

(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).

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

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(a) *Investment in joint ventures*

	Accounting method	Ending balance of investment cost	31 December 2010	Current year movement: Addition	Current year movement: Share of net profit/(loss)	Current year movement: Cash dividend declared	Current year movement: 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)).

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

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

(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).

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

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).

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

5 Notes to the consolidated financial statements (continued)

(10) Intangible assets

	Cost	31 December 2010	Current year additions	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).

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	

5 Notes to the consolidated financial statements (continued)

(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.

(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

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 (continued)

(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 assets.

(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

(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

5 Notes to the consolidated financial statements (continued)

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

(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

(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%).

5 Notes to the consolidated financial statements (continued)

(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

(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.

5 Notes to the consolidated financial statements (continued)

(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.

(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

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(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').

(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.

5 Notes to the consolidated financial statements (continued)

(19) Other payables (continued)

(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.

(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**

5 Notes to the consolidated financial statements (continued)

(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:

			31 December 2011		
	Interest rate	Currency	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%).

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

5 Notes to the consolidated financial statements (continued)

(22) Long-term borrowings (continued)

(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%).

(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%

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

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.

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.

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

(b) Corporate bonds (continued)

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.

(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.

5 Notes to the consolidated financial statements (continued)

(24) Hedging instruments (continued)

(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.

(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

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

5 Notes to the consolidated financial statements (continued)

(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

(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.

5 Notes to the consolidated financial statements (continued)

(27) Surplus reserve (continued)

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).

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.

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

5 Notes to the consolidated financial statements (continued)

(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.

(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

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services (continued)

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

(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.

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).

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

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services (continued)

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

(i) Management services revenue (continued)

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%

(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

5 Notes to the consolidated financial statements (continued)

(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

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

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

(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

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

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)

(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

5 Notes to the consolidated financial statements (continued)

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

(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

(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.

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

5 Notes to the consolidated financial statements (continued)

(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

(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.

(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

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(All amounts in RMB unless otherwise stated)

6 Segment information (continued)

(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.

7 Related parties and related party transactions (continued)

(1) Information of the parent of the Company: (continued)

(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).

(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.

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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

			2011		2010	
Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Amount	Percentage in the total amount of similar transactions	Amount	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

			2011		2010	
Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	Amount	Percentage in the total amount of similar transactions	Amount	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)

(i) Receiving 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

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(All amounts in RMB unless otherwise stated)

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(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.

(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**
Chiu Chi Cheong, Clifton	**350,000.00**	–	**350,000.00**
Lam Wai Hon, Ambrose	**150,000.00**	–	**150,000.00**
Ting Fook Cheung, Fred	**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
Chiu Chi Cheong, Clifton	350,000.00	–	350,000.00
Lam Wai Hon, Ambrose	150,000.00	–	150,000.00
Ting Fook Cheung, Fred	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	**–**	–

(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.

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

7 Related parties and related party transactions (continued)

(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

(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.

For the year ended 31 December 2011
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9 Commitments (continued)

(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 31 December 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**

	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

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(All amounts in RMB unless otherwise stated)

11 Financial instruments and risk (continued)

(1) Market risk (continued)

(a) Foreign exchange risk (continued)

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).

(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.

11 Financial instruments and risk (continued)

(2) Credit risk (continued)

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.

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

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11 Financial instruments and risk (continued)

(3) Liquidity risk (continued)

	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.

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.

11 Financial instruments and risk (continued)

(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)

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**

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11 Financial instruments and risk (continued)

(4) Fair value (continued)

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

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

(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%	–	–

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

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

(1) Accounts receivable (continued)

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

	Relationship with the Company	31 December 2011 Amount	% of total balance	Provision for bad debts	31 December 2010 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%**	**–**	–	–	–

(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.

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

(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

(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%	–	–

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

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

(2) Other receivables (continued)

(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:

		31 December 2011			31 December 2010		
	Relationship with the Company	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%	–

(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).

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

(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).

(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).

For the year ended 31 December 2011
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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

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).

(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**

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(All amounts in RMB unless otherwise stated)

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

(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

(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 wholly 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

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

(13) Investment income (continued)

(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	

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

(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

(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

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(All amounts in RMB unless otherwise stated)

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

(15) Supplementary information to cash flow statements (continued)

(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

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

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

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

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.

Company Profile and Project Information

I. Company Profile

Registered Name	深圳高速公路股份有限公司
English Name	Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address and Place of Business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Secretary of the Board/Company Secretary	WU Qian
Telephone	(86) 755-8285 3331
Securities Officer	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3338
Fax	(86) 755-8285 3400
Investor Hotline	(86) 755-8285 3330
E-mail	secretary@sz-expressway.com
Contact Address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Listing Exchanges	A Share: The Shanghai Stock Exchange Security Code: 600548 Abbreviation: Shenzhen Expressway H Share: The Stock Exchange of Hong Kong Limited Security Code: 00548 Abbreviation: Shenzhen Expressway Bond: The Shanghai Stock Exchange Security Code: 126006/122085 Abbreviation: 07 Shenzhen Expressway Bond/ 11 Shenzhen Expressway
Designated Publication Newspaper	Shanghai Securities News, Securities Times (for A Shares only)
Designated Publication Website	http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com http://www.sz-expressway-ir.com.hk (for H Shares only)
Annual Report Available at	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen HongKong: Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Independent Auditor	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai

Company Profile and Project Information

PRC Legal Adviser	Guangdong Junyan Law Firm 13/F, Dutyfree Business Building, First Fuhua Road, Shenzhen
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lu Jia Zui Road East, Pudong New District, Shanghai
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor Relations Consultant of A Shares	Everbloom Investment Consultant Company Limited Room 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor Relations Consultant of H Shares	Wonderful Sky Financial Group Unit 3102 – 3105, 31/F, Office Tower, Convention Plaza, 1 Harbour Road, Wanchai, Hong Kong
Place of Business in Hong Kong	Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996
Date and Place of First Registration	30 December 1996/Shenzhen
Date of Latest Change of Registration	18 January 2012
Registration Number of Business License	440301104056451
Tax Registration Number	440304279302515
Organisation Code	27930251-5
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank

II. Project Information (as at March 2012)

Toll highway	Interest held by the Company	Location	Length (km)	No. of lanes	Status	Operation period
Meiguan Expressway	100%	Shenzhen	19.3	6/8	Under operation/ expansion	1995.05-2027.03
Jihe East	100%	Shenzhen	23.9	6	Under operation	1997.10-2027.03
Jihe West	100%	Shenzhen	21.7	6	Under operation	1999.05-2027.03
Yanba Expressway	100%	Shenzhen	29.1	6	Under operation	Applying for approval
Shuiguan Expressway	40%	Shenzhen	20.1	10	Under operation	2002.02-2025.12
Shuiguan Extension	40%	Shenzhen	5.2	6	Under operation	2005.10-2025.12
Yanpai Expressway	100%	Shenzhen	15.2	6	Under operation	2006.05-2027.03
Nanguang Expressway	100%	Shenzhen	33.1	6	Under operation	2008.01-2033.01
Yangmao Expressway	25%	Guangdong	79.7	4	Under operation	2004.11-2027.07
Guangwu Project	30%	Guangdong	39.8	4	Under operation	2004.12-2027.11
Jiangzhong Project	25%	Guangdong	37.5	4	Under operation	2005.11-2027.08
GZ W2 Expressway	25%	Guangdong	42.0	6	Under operation	Applying for approval
Qinglian Project:						
– Qinglian Expressway	76.37%	Guangdong	216	4	Under operation	2009.07-2034.07
– Qinglian Class 2 Road			253	2	Under maintenance	Toll collection suspended
Wuhuang Expressway	55%	Hubei	70.3	4	Under operation	1997.09-2022.09
Changsha Ring Road	51%	Hunan	34.5	4	Under operation	1999.11-2029.12
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2005.10-2035.10

Project in planning	Interest held by the Company	Location	Length (km)	No. of lanes	Status	Development plan
Outer Ring Expressway	100%	Shenzhen	Approximately 90	6	Preliminary research	Not determined

Entrusted operation project	Entrusting party	Location	Length (km)	No. of lanes	Status	Entrusted agreement period
Longda Project	Baotong Company	Shenzhen/ Dongguan	28.2	6	Under operation	2012.01-2013.12

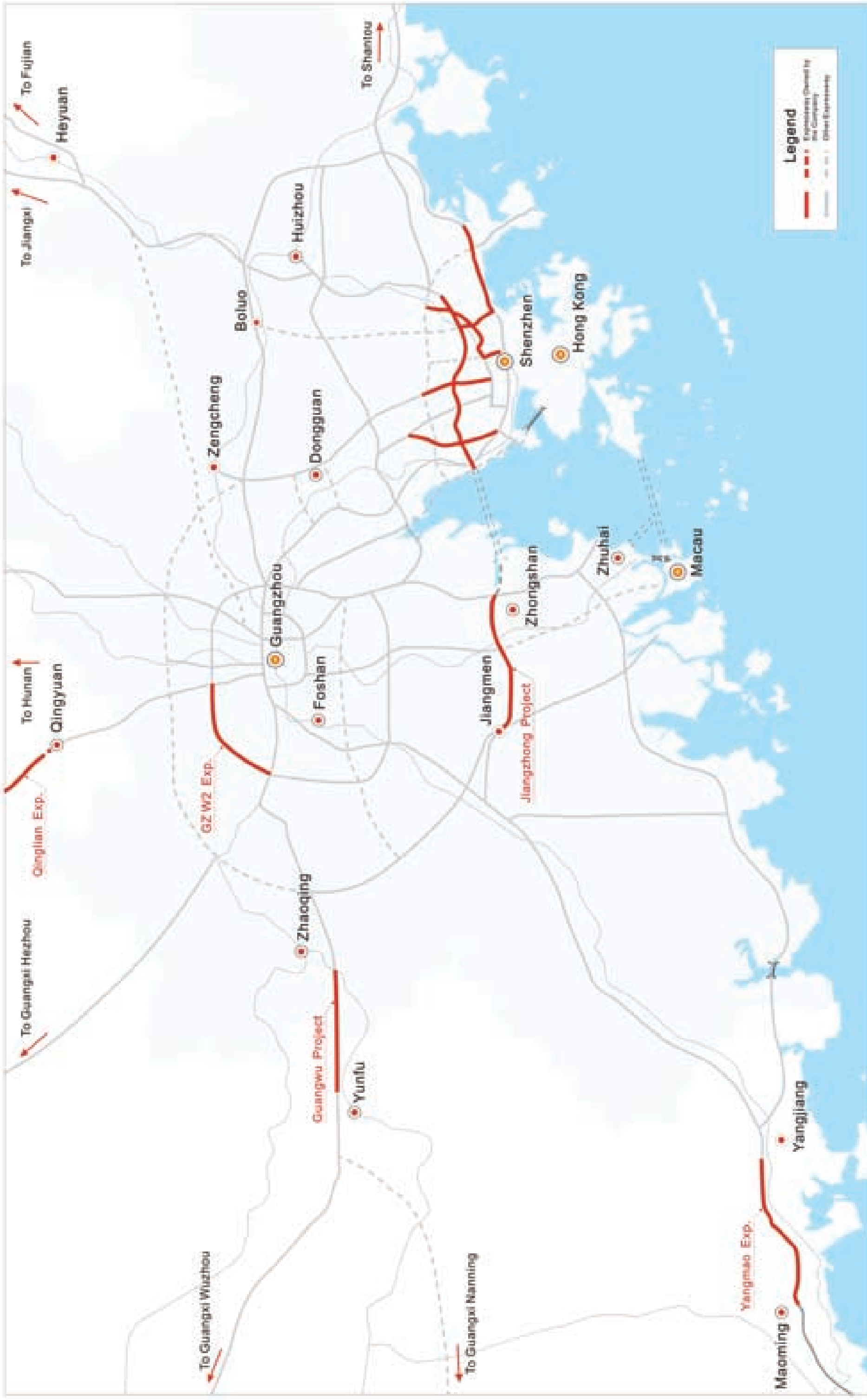
Entrusted construction project	Entrusting party	Location	Length (km)	Estimated investment	Status	Completion schedule for main works
Nanping (Phase II)	Shenzhen Communications Bureau	Shenzhen	15	Section A: Approximately RMB2.1 billion	Under construction	Section A: mid-2012
				Section B: Approximately RMB1.6 billion		Section B: in adjustment
Longhua Extension	Baotong Company	Shenzhen	2	Approximately RMB190 million	Under settlement	Completed in April 2011
Longda Municipal Section	Shenzhen Public Transportation Facilities Construction Center	Shenzhen	2	Approximately RMB160 million	Under construction	In adjustment
Coastal Project	SIHCL	Shenzhen	30	Approximately RMB10.4 billion	Under construction	Second half of 2013

Other project	Contracting party	Location	Length (km)	Contract amount	Status	Completion schedule
Guilong Project	Longli Government	Guizhou	5	Approximately RMB990 million	Under construction	First half of 2014

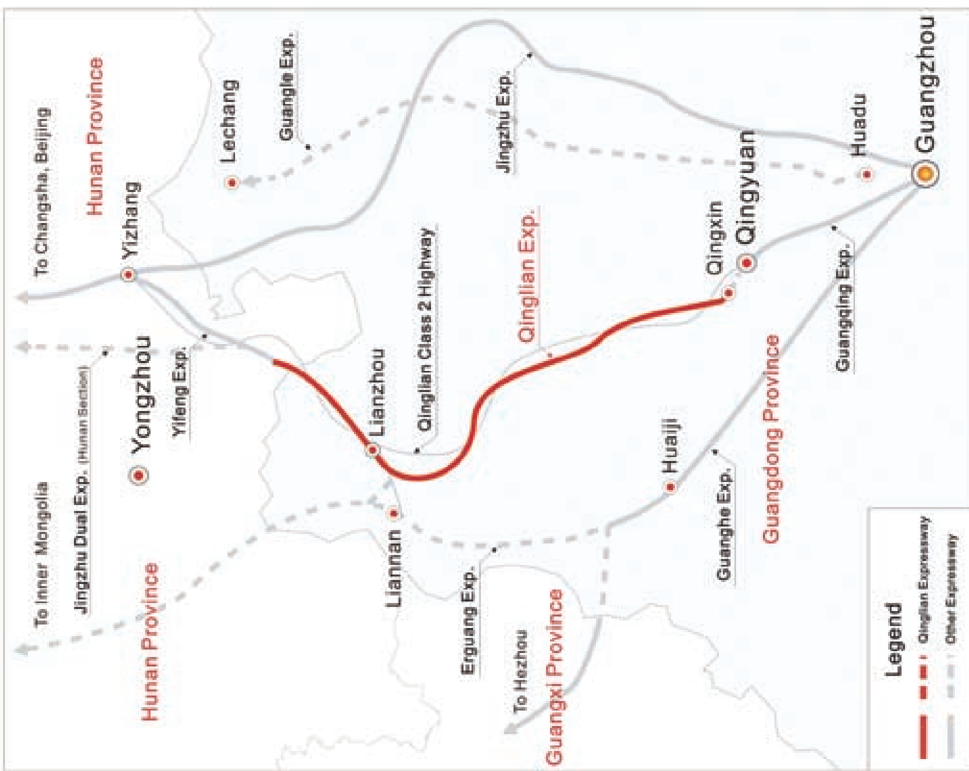
* *For more information and toll rates of above projects, please refer to the column "Toll Roads & Bridges" under "Company Business" in the website of the Company at http://www.sz-expressway.com.*

Road Network of Shenzhen

Road Network of Pearl River Delta

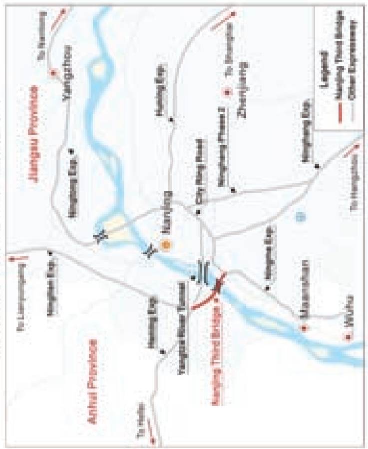


Road Network of Qinglian Expressway

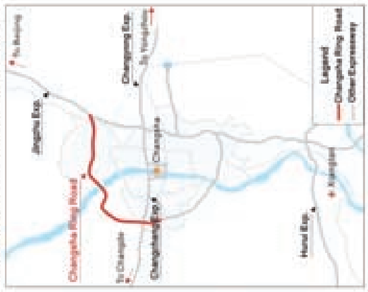


Road Network of Wuhuang Expressway

Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road



Definitions

I. Highway and Project Operated, Invested and Managed by the Company

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

Definitions

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

II. Enterprise Invested by the Company

Advertising Company	深圳市高速廣告有限公司(Shenzhen Expressway Advertising Company Limited)
Consulting Company	深圳高速工程顧問有限公司(Shenzhen Expressway Engineering Consulting Company Limited)
Guangdong UETC	廣東聯合電子收費股份有限公司(Guangdong United Electronic Toll Collection Inc.)
Guangyun Company	雲浮市廣雲高速公路有限公司(Yunfu Guangyun Expressway Company Limited)
GZ W2 Company	廣州西二環高速公路有限公司(Guangzhou Western Second Ring Expressway Company Limited)
Huayu Company	深圳市華昱高速公路投資有限公司(Shenzhen Huayu Expressway Investment Company Limited)
JEL Company	Jade Emperor Limited
Jiangzhong Company	廣東江中高速公路有限公司(Guangdong Jiangzhong Expressway Company Limited)
Jihe East Company	深圳機荷高速公路東段有限公司(Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited)
Magerk Company	湖北馬鄂高速公路經營有限公司(Hubei Magerk Expressway Management Private Limited)
Maxprofit Company	Maxprofit Gain Limited
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited
Meiguan Company	深圳市梅觀高速公路有限公司(Shenzhen Meiguan Expressway Company Limited)
Outer Ring Company	深圳市外環高速公路投資有限公司(Shenzhen Outer Ring Expressway Investment Company Limited)
Nanjing Company	南京長江第三大橋有限責任公司(Nanjing Yangtze River Third Bridge Company Limited)
Qinglian Company	廣東清連公路發展有限公司(Guangdong Qinglian Highway Development Company Limited)
Qinglong Company	深圳清龍高速公路有限公司(Shenzhen Qinglong Expressway Company Limited)
Shenchang Company	湖南長沙市深長快速幹道有限公司(Hunan Changsha Shenchang Expressway Company Limited)
Yangmao Company	廣東陽茂高速公路有限公司(Guangdong Yangmao Expressway Company 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)

III. Others

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	Shenzhen Expressway Company Limited
The Group, Group	The Company and its consolidated subsidiaries
Articles	The articles of association of the Company
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
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
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)
CM Huajian	招商局華建公路投資有限公司(China Merchants Hua Jian Highway Investment Co., Ltd.), formerly known as華建交通經濟開發中心(Huajian Transportation and Economic Development Centre)
GDRB Company	廣東省路橋建設發展有限公司(Guangdong Roads and Bridges Construction Development Company Limited)
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government)

SIHC	深圳市投資管理公司(Shenzhen Investment Holding Corporation)
SIHCL	深圳市投資控股有限公司(Shenzhen Investment Holdings Company Limited)
Shenzhen International	Shenzhen International Holdings Limited
SGJ Shenzhen	深國際控股(深圳)有限公司(Shenzhen International Holdings (SZ) Limited), formerly known as怡萬實業發展(深圳)有限公司(Yiwan Industry Development (Shenzhen) Company Limited)
Baotong Company	深圳市寶通公路建設開發有限公司(Shenzhen Baotong Highway Construction and Development Company Limited)
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 report, 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 Administrative 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

Confirmation to the Annual Report 2011

As the Directors and senior management of Shenzhen Expressway Company Limited ("Company"), we confirm that there are no false representations or misleading statements contained in or material omissions from the Annual Report 2011 of the Company, and severally and jointly accept responsibility for the truthfulness, accuracy and completeness of the content of the report.

28 March 2012

Directors who signed this Confirmation:

Yang Hai	Wu Ya De	Li Jing Qi	Zhao Jun Rong
Hu Wei	Tse Yat Hong	Zhang Yang	Chiu Chi Cheong, Clifton
Wang Hai Tao	Zhang Li Min	Au Sing Kun	Lin Chu Chang

Senior Management who signed this Confirmation:

Li Jian	Zhou Qing Ming	Ge Fei	Liao Xiang Wen
Gong Tao Tao	Wu Xian	Wu Qian	

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