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深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00548)

Preliminary Announcement of Results –
2012 Annual Report Summary

§1 Important Notice

1.1 2012 Annual Report Summary of Shenzhen Expressway Company Limited is extracted from full Annual Report 2012 of the Company for the year ended 31 December 2012. For detailed information, investor shall read the full annual report to be published on the website of SSE at http://www.sse.com.cn and HKEx at http://www.hkex.com.hk.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules of HKEx was included in the 2012 Annual Report Summary published on the website of HKEx.

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

1.2 Basic Information of the Company

Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock Code	600548	00548
Listing Exchanges	The Shanghai Stock Exchange	The Stock Exchange of Hong Kong Limited
Contacts and Details	Secretary of the Board	Securities Officer
Name	WU Qian	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3331	(86) 755-8285 3338
Fax	(86) 755-8285 3400	
E-mail	secretary@sz-expressway.com	

§2 Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.13 (tax included) per share in cash to all shareholders (2011: RMB0.16 per share), based on the total share capital of 2,180,770,326 as at the end of 2012 and totaling RMB283,500,142.38, for the year 2012. The aforesaid proposal shall be subject to approval by shareholders at the 2012 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately.

§3 Principal Financial Data and Change in the Shareholders

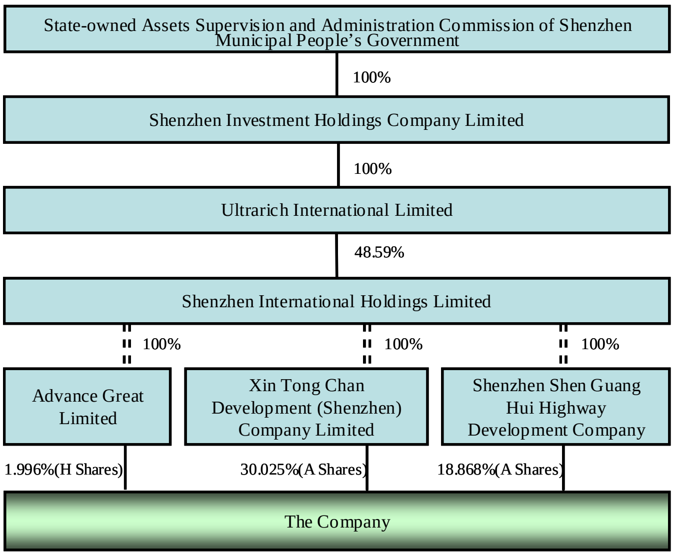
3.1 Principal Financial Data

Unit: RMB

Principal financial data	**As at 31 Dec 2012**	**As at 31 Dec 2011**	**Change as compared to the end of last year**	**As at 31 Dec 2010 (Restated)**	**As at 31 Dec 2010 (Before restated)**
Total assets	24,209,125,042.19	24,608,792,701.94	-1.62%	23,049,966,818.70	22,616,647,065.72
Owners' equity attributable to owners of the Company	9,536,486,092.32	9,204,417,052.53	3.61%	8,648,826,937.88	8,648,826,937.88
Principal financial data	**2012**	**2011**	**Change as compared to last year**	**2010 (Restated)**	**2010 (Before restated)**
Net cash flows from operating activities	1,530,654,667.48	1,508,130,603.41	1.49%	1,887,289,997.80	1,617,361,849.38
Revenue	3,134,623,093.04	2,951,619,056.98	6.20%	2,765,300,387.03	2,302,386,377.49
Net profit attributable to owners of the Company	684,526,701.99	875,146,104.56	-21.78%	745,806,530.62	745,806,530.62
Net profit attributable to owners of the Company - excluding non-recurring items	659,695,721.22	847,416,427.67	-22.15%	723,308,387.36	723,348,347.92
Return on equity - weighted average (%)	7.33%	9.84%	Decrease 2.51 pct.pt	8.89%	8.89%
Earnings per share - basic	0.314	0.401	-21.78%	0.342	0.342
Earnings per share - diluted	0.314	0.401	-21.78%	0.342	0.342

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

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



3.3 Information on the top ten 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 and the top ten shareholders of the Company were as follows:

Unit: share

Total number of shareholders as at the end of 2012	The Company had 34,940 shareholders in total, including 34,648 holders of domestic shares and 292 holders of H Shares.		**Total number of shareholders as at the end of the fifth trading day prior to the publication of this annual report**		The Company had 34,341 shareholders in total, including 34,052 holders of domestic shares and 289 holders of H Shares.	
The top ten shareholders as at the end of 2012						
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	32.45%	707,601,098	+196,000	–	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
Au Siu Kwok	Overseas natural person	0.50%	11,000,000	–	–	Unknown
Ip Kow	Overseas natural person	0.42%	9,100,000	-2,200,000	–	Unknown
Wong Kin Ping + Li Tao	Overseas natural person	0.23%	5,000,000	–	–	Unknown
CCB - ChinaAMC Dividend Fund	Unknown	0.18%	3,951,080	+3,951,080	–	Unknown
Goldstate Securities Co. Ltd.	Unknown	0.14%	3,124,250	+3,124,250	–	Unknown
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.

§4 Report of the Directors

4.1 Business Review

The Group's revenues and profits mainly derive 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 of the Group.

I. Toll Highway Business

1. Overall Operational Performance

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

Toll highway	Percentage of interests held by the Group	Percentage of revenues consolidated	Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
			2012	2011	Change	2012	2011	Change
Shenzhen region:								
Meiguan Expressway	100%	100%	**125**	119	5.0%	**876**	943	-7.2%
Jihe East	100%	100%	**128**	118	8.6%	**1,240**	1,407	-11.9%
Jihe West	100%	100%	**107**	99	7.2%	**1,080**	1,230	-12.2%
Yanba Expressway (1)	100%	100%	**29**	28	3.4%	**387**	369	4.9%
Yanpai Expressway	100%	100%	**41**	38	7.7%	**514**	464	10.8%
Nanguang Expressway	100%	100%	**59**	56	4.9%	**629**	589	6.8%
Shuiguan Expressway	40%	-	**138**	125	10.9%	**1,205**	1,122	7.4%
Shuiguan Extension	40%	-	**29**	32	-8.2%	**155**	197	-21.0%
Other regions in Guangdong Province:								
Qinglian Expressway (1)	76.37%	100%	**23**	21	6.4%	**1,461**	1,280	14.1%
Yangmao Expressway (1)	25%	-	**27**	23	14.9%	**1,326**	1,209	9.7%
Guangwu Project (1)	30%	-	**25**	23	9.7%	**681**	644	5.7%
Jiangzhong Project	25%	-	**92**	90	1.4%	**932**	972	-4.2%
GZ W2 Expressway (2)	25%	-	**35**	33	3.9%	**713**	740	-3.6%
Other provinces in the PRC:								
Wuhuang Expressway (1)	55%	100%	**40**	38	4.8%	**1,170**	1,146	2.1%
Changsha Ring Road	51%	-	**13**	10	38.8%	**119**	86	38.4%
Nanjing Third Bridge (1) (2)	25%	-	**25**	23	6.8%	**895**	829	8.0%

Notes:

(1) Projects for which toll-by-weight policy has been implemented.

(2) During the year, the operation period for GZ W2 Expressway was approved to be 24 years. Pursuant to a notice issued by Jiangsu Provincial Government, the operation period for Nanjing Third Bridge was re-approved to be 25 years, which was previously approved to be 30 years.

Economic Environment —

In 2012, the domestic economic situation was complicated and challenging. After decline for seven consecutive quarters, the GDP growth in China became stable and rebounded in the fourth quarter of 2012. Shenzhen region's total imports and exports from and to Europe and the United States have been stably increasing since the middle of the year. On the other hand, domestic auto production and sales still maintained a good growth momentum, and car ownership in Shenzhen region was over 2 million as at the end of 2012. However, the paces of the growth of macro-economy, the total imports and exports and the port throughput showed a general trend of slowdown. Under such macro environment, the traffic volume of most of toll highways maintained a YOY increase, yet the growth was relatively flat.

Policy Environment—

During recent years, the external operating environment of the toll highway industry has undergone relatively substantial changes. The tightening policy on the industry and the continual issue of individual policies or administrative measures by the state and local governments have brought considerable negative effects on the toll revenues of our projects.

Pursuant to the notice and subsequent arrangements from relevant government authorities of Guangdong province, the toll fees of the expressways in the province, starting from 1 June 2012, had been standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and subsequent adjustment was made for the increase of the toll fees as a result of the implementation of aforesaid scheme (foregoing collectively referred "Standardisation Scheme"). The implementation of Standardisation Scheme caused relatively substantial negative effects on the operational performance of Jihe Expressway, Meiguan Expressway, Shuiguan Extension, Yanpai Expressway, Jiangzhong Project, Guangwu Project and GZ W2 Expressway, while the effects on the other projects in Guangdong Province were relatively minor.

In the middle of the year, the State Council approved the toll free implementation scheme for small passenger vehicles during major holidays ("Toll Free Scheme on Holidays") under which the toll fees for passenger cars with seven seats or less were waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off. This policy was officially implemented since the holidays of the Mid-Autumn Festival and National Day in 2012, and the toll revenues from all projects significantly declined YOY during the eight days period in which the scheme was implemented.

Since 1 December 2010, "Green Passage Toll Free Policy" has been implemented in all highway projects of the Group to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. According to a rough calculation based on available data and historical data [Note], the implementation of the aforesaid three policies resulted in the decrease of RMB193 million, RMB43 million and RMB62 million respectively in toll revenue in consolidated statements of the Group in 2012 and the impact on net profit of the Group in 2012 was RMB230 million.

Note: Simulation calculation for relevant impact was done by the Company based on the available data and historical data. With the limitation on the adjustment to the data statistical method and the differences of the operating environments in different years, the related estimation cannot be entirely accurate. Such data are for investors' reference only. Investors should exercise caution and avoid improper reliance on such data.

On the other hand, the toll-by-weight policy in Guangdong Province was implemented in phases. The revenues of most of the projects for the first year of implementation recorded various degrees of increase YOY. However, at the same time, the policy also increased the capital expenditures of the projects and brought more challenges to the management. The policy was implemented in western and eastern Guangdong in September and October 2011 respectively, which brought positive effects on the growth of toll revenues from Yangmao Expressway and Guangwu Project in 2012 while the effect on the operational performance of Yanba Expressway was minor.

Operating Condition and Environment —

As the impact on highway projects from such factors as economic environment and changes in policies varied to a certain extent, the performances of the highway projects differed in accordance with their different function and location, years of operation and neighboring road networks. The operational performances of toll highways will also be positively or negatively affected by such factors as competitive or synergistic changes in neighboring road networks, maintenance and repair works on connecting or parallel roads, the implementation of urban traffic organisation plans or other modes of transportation. Also, the construction and maintenance works of the toll highway projects may affect their respective operational performance.

The transportation network in Shenzhen region has been under continuous improvement in recent years and the tolls on certain local roads were halted, which led certain changes to traffic distribution and composition in the region's road network and thus had positive or negative impacts on the operational performance of the projects operated or invested by the Group in Shenzhen region. Among these, changes in road network promoted the operational performance of Yanpai Expressway while Meiguan Expressway, Shuiguan Expressway, Shuiguan Extension and Nanguang Expressway were adversely affected. The section of Nanping (Phase II) from Tanglang Interchange to Nanguang Expressway opened to traffic in August 2012 which brought positive effect on the growth of the traffic volume of Nanguang Expressway.

Expansion works for North Section of Meiguan Expressway were carried out during the Reporting Period and the maintenance works for the road surface of Jihe East were also substantially commenced in the second half of 2012, which negatively affected the traffic conditions and operational performance of the projects and the connected roads. On the other hand, benefited from the commencement of the construction works in the areas along the highways, the freight traffic volume of Yanba Expressway had a distinctive YOY increase during the Reporting Period.

For other regions in Guangdong Province, Yifeng Expressway (Fengtouling, Guangdong – Yizhang, Hunan) which connects the northern end of Qinglian Expressway, opened to traffic in late September 2011, which improved the connection of Qinglian Expressway with the surrounding road networks, and thus had a positive effect on the operational performance of Qinglian Expressway. However, as reconstruction and expansion works for Guangqing Expressway (Guangzhou – Qingyuan) which connects the southern end of Qinglian Expressway were carried out and heavy transport vehicles of 30 tons or more are prohibited from crossing some bridges of the expressway, the traffic capacity and the traffic conditions from Guangzhou to Qingyuan were affected to a certain extent and the desire of the road users to travel to and from Guangdong, Hunan and the areas to the north of Hunan via Qinglian Expressway were also weakened. In a short run, this will limit the rapid growth of the traffic volume of Qinglian Expressway.

In 2012, the average daily toll revenue of Wuhuang Expressway recorded a YOY increase of 2.1%, reversing the gliding situation in revenue during 2011. Despite the persistent negative effect from the opening of National Highway Hurong Line (Shanghai – Chengdu) and traffic control measures implemented in Wuhan, the commencement of operation of the vehicle identification stations on Wuhuang Expressway in late June 2011 and the opening to traffic of the connecting Daguang Expressway Hubei South Section (Huangshi – Tongshan) in May 2012 have driven the increase of toll revenue of Wuhuang Expressway. During the Reporting Period, benefited from the positive effects brought from the adjustment of functional position and planning of neighboring regions and the construction of works of neighboring roads, a considerable growth was recorded continuously in the traffic volume and toll revenue from Changsha Ring Road.

Operating Measures —

As there are more and more alternative ways to travel, road users has raised their expectation on 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 in view of 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 operational management, improved the peak-hour traffic divergence and emergency response capability, as well as strengthened road maintenance management to improve the traffic efficiency of the road network to provide road users with faster and safer services so as to improve competitiveness and operational performance of the projects.

2. Business Development

The reconstruction and expansion works of North Section of Meiguan Expressway are currently in progress according to the plan approved by the Board. As at the end of the Reporting Period, the substantial part of the construction of road understructure, bridges and culvents has been completed and the road surface construction and greening works are carried out on some sections. Currently, tendering for mechanical and electrical supervision and construction works has also been completed. The project is scheduled to be completed at the end of 2013. Upon the completion of the construction works, the traffic capacity of North Section of Meiguan Expressway will be enhanced to a large extent, which will help improve the service and operating performance of the project.

Taking into account of the growth of economy and transportation in peripheral regions, Shenzhen Municipal Government plans to repurchase the South Section of or the whole of Meiguan Expressway. During the year, the Company has had a number of communications and negotiations with relevant government departments and engaged professional institutions to perform the assessment and estimation on the project. Due to the wide coverage and the complication of the approval procedures, no detailed plan has been formulated. In the opinion of the Company, a reasonable traffic plan and repurchase arrangement will allow the Group to rationalise the management model while preserving the revenue from the asset, improve the regional traffic conditions and promote the development of the community and its economy.

During the year, the Company continued to carry out the preliminary study and held relevant negotiations for Outer Ring Expressway as planned. As at the end of the Reporting Period, such issues of the project as toll proposal, environmental impact assessment, soil and water conservation, seismic safety assessment, geological hazard evaluation, planning and location selection and preliminary review for the sites have been approved. Currently, the preliminary design of the project has been completed and submitted to relevant authorities' for initial review. As Outer Ring Expressway is a large-scale investment with high construction cost, the Company is focusing on revising the design plan and the investment structure, and seeking for the support from the government. The Company will discuss and negotiate the feasible models of the investment, construction and management with relevant government authorities and strive for achieving the balance of the benefits between the Company and the community.

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 or engaged in related businesses such as entrusted management, advertising, construction consulting and inter-network toll collection, and prudently tapping into new business areas as our meaningful attempts and auxiliary business in addition to our major business for further growth of the Group. In 2012, the entrusted management business realised the revenue of approximately RMB294 million and the advertising and other businesses realised the revenue of approximately RMB114 million, accounting for 9.39% and 3.63% of the Group's revenue respectively.

Entrusted Management Business —

The entrusted construction management business and the entrusted operation management business, also known as agent construction business and agent operation business, are the major business of the Group in addition to our toll highway business currently. Leveraging on our expertise and experience accumulated in relevant areas during these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation method as agreed with the entrusting party through the provision of services relating to construction management and toll highway operation management. During the Reporting Period, the Group has provided operation management services for Longda Project and provided construction management services for Coastal Project, Nanping (Phase II) and Guilong Project.

In 2012, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the year, each management task was smoothly carried out.

In 2012, the progress and cost of Coastal Project were basically in line with expectation. As at the end of the Reporting Period, an aggregate investment of RMB8.4 billion was completed, representing approximately 81% of the total approved budget. The construction of road understructure, bridges and culvents has been basically completed and the basic ancillary structures have been completed. Currently, the subsequent works such as the road surface works, greening works and mechanical and electrical works has been commenced in succession. As Coastal Project mainly comprises of bridges built over the sea, it is technically demanding and requires high quality. The Company has put endeavors in achieving performance targets such as safety, quality, schedule and cost through various ways such as enhancing the management system, strengthening management measures and optimising management means. In addition, the Group has proactively coordinated with various relevant government authorities so as to handle such material and difficult issues encountered in land requisition, demolition and relocation as well as construction in a practical manner. The main part of the project is scheduled to be completed in the second half of 2013.

Part of the contracted section of Section A of Nanping (Phase II) connecting Nanguang Expressway was completed and opened to traffic on 1 August 2012. Most of the construction works of Section B of Nanping (Phase II) are not ready to be commenced at the moment due to the delay in the land requisition, demolition and relocation during preparation stage, and the adjustment in government's planning and the progress of reclamation works. As a result, the overall progress of the construction works of the project will be delayed. However, pursuant to the agreement, such delay would not incur performance obligations of the Company under the entrusted construction agreement. The Company will strengthen the coordination to obtain support from various parties and clearly define their respective responsibilities so as to facilitate the achievement of various management targets of entrusted construction management.

Expansion of Entrusted Management Business —

In respect of the entrusted construction management business, the Group carried out Guilong Project through its subsidiary, Guishen Company, and participated in the road construction and primary land development in surrounding areas by "build-transfer" mode ("BT Mode"). Compared with the simple entrusted management business, under the BT mode, the entrusted party is required to raise capital during the construction period. Therefore, the recovery of fund is the key part of management under this mode, and the method, period and safety of the recovery will directly affect the success and revenue of the project. During the year, various works for Guilong Project proceeded steadily as scheduled. For the construction management, more than 50% of excavation works and earth fill for the road construction project has been completed and the tunnel is fully opened. However, a small part of major works is not ready to be commenced at the moment due to the land requisition, demolition and relocation for which the government is responsible. In respect of the fund recovery, Guishen Company has received an aggregate amount of RMB256 million from the entrusting party for reimbursement and payment of land requisition, demolition and relocation as well as road construction funds in accordance with the terms of the agreement. For details of Guilong Project, please refer to the announcements of the Company dated 12 August and 27 October 2011.

Moreover, in order to effectively reduce the risk of funds recovery in Guilong Project, Guishen Company won the bid for the land use rights of land with an area of approximately 883 mu (equivalent to approximately 589,000 square meters) within the development area of Guilong Project with a consideration of RMB309 million through open tenders during the year. The Company also plans to realise the market value of the land through market transactions, cooperation or self-development. At the beginning of 2013, Investment Company, a wholly-owned subsidiary of the Company, undertook the agent construction of the Phase 1 of Wang Guan Resettlement Areas in Guilong Economic Zone (貴龍城市經濟帶王關綜合安置區項目一期). The fund raising will be carried out by the government of Longli County while the construction management of the resettlement houses of this project are responsible by Investment Company. These measures are beneficial for the Company to achieve the expected or better gain from Guilong Project and helpful to the Company in widening and enriching the direction and experience regarding business development. In this regard, the Group has established a dedicated management team to carry out specific tasks relating to the construction management of the resettlement houses, and gain experience in the management of the housing construction works in order to develop the business procedures and management system applicable to this sector of business. Meanwhile, the team will conduct an in-depth study on the feasibility, the advantages and disadvantages, and the comprehensive effect of various methods for the realisation of the land value on the Group, which will lay a solid foundation for formulating our next business plan.

4.2 Financial Analysis

In 2012, the Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB684,527,000 (2011: RMB 875,146,000), representing a YOY decrease of 21.78%. Excluding the effect of provisions for maintenance/resurfacing obligations of highways ("Provisions for Maintenance/Resurfacing") for the periods [Note], the Net Profit of the Group amounted to RMB710,317,000 for the Reporting Period (2011: RMB719,763,000), substantially similar to that for the previous year.

Note: The Group has made adjustments to the Provisions for Maintenance/Resurfacing of major highways based on the review results of the plan and the implementation measures for maintenance/resurfacing of highways since 1 July 2011. The changes in accounting estimates brought certain positive effect on the operating results of the Group for 2011. Provisions for Maintenance/Resurfacing of the Group made in each accounting period have also changed substantially before and after the said changes. The Company provided information on the operating results excluding Provisions for Maintenance/Resurfacing in order to help the users of the financial statements more accurately understand the operational performance and development trends of the Group. For the effect of Provisions for Maintenance/Resurfacing, please refer to point 6 of "Analysis of Operating Results" below for details.

During the Reporting Period, as affected by such factors as slowdown in the growth of macro-economy, implementation of Standardisation Scheme and changes in the traffic distribution in the road network, toll revenue derived from the toll highways operated and invested by the Group recorded either a slower YOY growth or a decrease. Meanwhile, the rigid cost including the cost of depreciation and amortisation and the financial expenses increased, and expensed cost for highway maintenance decreased. The profit from the entrusted construction management services, which was recognised based on the audit results and the progress of completion, increased YOY. As affected by the combination of aforesaid factors, the operating results of the Group excluding the Provision for Maintenance/Resurfacing for the Reporting Period were substantially similar to that for the previous year.

I. Analysis of Operating Results

1. Revenue and Cost of Services

During the Reporting Period, the Group recorded revenue of RMB3,134,623,000, representing a YOY growth of 6.20%, of which toll revenue of RMB2,726,353,000 was substantially similar to that for the previous year, being the main source of revenue of the Group. During the Reporting Period, the cost of services of the Group was RMB1,510,732,000, representing a YOY increase of 27.75%, or 4.87% excluding Provisions for Maintenance/Resurfacing. Entrusted management services income and cost for the period recorded a significant increase, which was mainly attributable to the recognition of relevant income and the cost of the entrusted construction management services based on the government's audit results, related service results and the estimation of the progress of such projects as Nanping (Phase I). Figures for the revenue and the cost are set out as follows. A detailed analysis is set out in point 2 below:

Revenue item	2012 (RMB'000)	Percentage of total	2011 (RMB'000)	Percentage of total	Change
Toll revenue	2,726,353	86.98%	2,715,562	92.00%	0.40%
Entrusted management services revenue	294,486	9.39%	149,371	5.06%	97.15%
Other revenue (including Advertising services revenue）	113,784	3.63%	86,686	2.94%	31.26%
Total revenue	3,134,623	100.00%	2,951,619	100.00%	6.20%

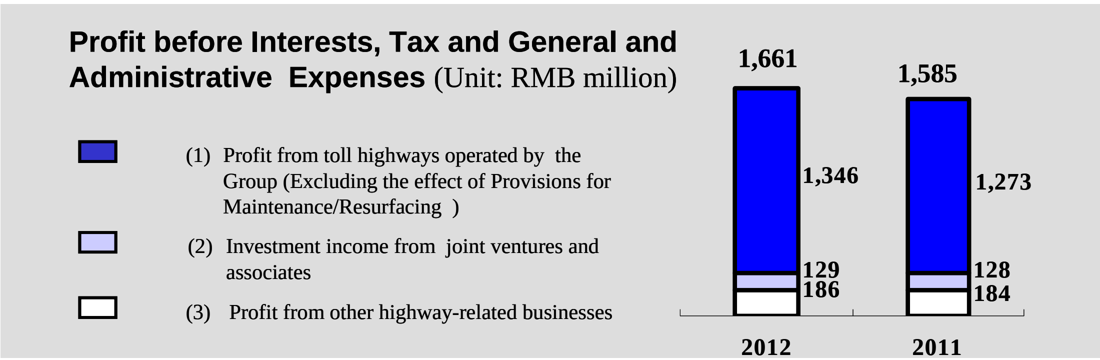
Regarding of the nature of the Group's business, except for revenue from toll highways, revenue from the Group's top five customers with an amount of RMB299,711,000 accounted for 9.55% of the total revenue of the Group.

Cost of services item	2012 (RMB'000)	Percentage of total	2011 (RMB'000)	Percentage of total	Change
Cost of traffic services	1,301,579	86.16%	1,100,093	93.03%	18.32%
Cost for entrusted management services	152,313	10.08%	35,388	2.99%	330.41%
Cost for other business	56,840	3.76%	47,053	3.98%	20.80%
Total cost of services	1,510,732	100.00%	1,182,534	100.00%	27.75%

The purchases from the Group's top five suppliers with an amount of RMB202,837,000 accounted for 28.80% of the Group's total amount of purchases.

2. Profit before Interests, Tax and General and Administrative Expenses Note

During the Reporting Period, the Group's profit before interests, tax and general and administrative expenses amounted to RMB1,661,212,000 (2011: RMB1,842,703,000), representing a YOY decrease of 9.85%, and a YOY increase of 4.83% excluding the effect of Provisions for Maintenance/Resurfacing. Profits contributed by principal business are as follows:



Note: Profit before interests, tax and general and administrative expenses = total profit + general and administrative expenses + interest expense. This indicator help the investors understand the group's sources of profit from the economic activities of various business segments.

(1) Profit before interests, tax and general and administrative expenses from toll highways operated by the Group

◆ Profit

Profit before interests, tax and general and administrative expenses from toll highways operated by the Group for the Reporting Period amounted to RMB1,345,923,000 (2011: RMB1,530,973,000), representing a YOY decrease of 12.09%. Excluding the effect of Provisions for Maintenance/Resurfacing, such profit recorded a YOY increase of 5.74%, which was mainly attributable to the increase of profit before interest and tax from such highways as Meiguan Expressway, Qinglian Project and Wuhuang Expressway. A detailed analysis on the profit is as follows:

Toll Highway	Percentage of interests held	Toll revenue		Cost of traffic services (1)		Gross margin of traffic services		Profit before interests, tax and general and administrative expenses (1)	
		2012 (RMB'000)	Change	2012 (RMB'000)	Change	2012	Change (pct.pt)	2012 (RMB'000)	Change (RMB'000)
Meiguan Expressway	100%	320,454	-6.92%	101,644	-53.26%	68.28%	31.44	208,050	92,276
Jihe East	100%	453,795	-11.65%	225,622	-3.03%	50.28%	-4.42	219,584	-45,047
Jihe West	100%	395,217	-11.96%	90,301	-4.00%	77.15%	-1.90	291,588	-51,626
Yanba Expressway	100%	141,779	5.18%	95,652	5.52%	32.53%	-0.22	41,754	1,802
Yanpai Expressway	100%	188,123	11.12%	81,102	11.75%	56.89%	-0.24	103,808	12,525
Nanguang Expressway	100%	230,123	7.04%	117,137	17.46%	49.10%	-4.51	105,953	-2,182
Qinglian Project	76.37%	537,170	13.98%	365,440	5.56%	31.97%	5.43	154,116	44,130
Wuhuang Expressway (2)	55%	459,692	9.88%	224,681	9.68%	51.12%	0.08	221,070	21,169
Total		2,726,353	0.40%	1,301,579	-4.17%	52.26%	2.28	1,345,923	73,047

Notes:

(1) Cost of traffic services and profit before interests, tax and general and administrative expenses excluded Provisions for Maintenance/Resurfacing of Jihe West, Yanba Expressway, Yanpai Expressway and Nanguang Expressway. For details on Provisions for Maintenance/Resurfacing, please refer to the sections "Cost of traffic services" and "Provisions for Maintenance/Resurfacing" below.

(2) The toll revenue of Wuhuang Expressway for 2012 included toll revenue of RMB32,532,000 from the clearance of overlapping mileages with E'dong Bridge from September 2010 to December 2012. Excluding the effect of such factor, the toll revenue of Wuhuang Expressway recorded a YOY increase of 2.1%.

◆ Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB2,726,353,000, representing a YOY increase of 0.40%. During the Reporting Period, the operational performances of toll highway projects of the Group were affected by the combination of such factors as slowdown in the growth of macro-economy, implementation of the policies such as Standardisation Scheme and changes in the traffic distribution in the road network, of which the implementation of Standardisation Scheme and Toll Free Scheme on Holidays resulted in a decrease by approximately RMB236,000,000 of toll revenues of the Group for the Reporting Period.

◆ Cost of traffic services

Cost of traffic services for the Group's toll highways recorded a YOY increase of 18.32% to RMB1,301,579,000 (2011: RMB1,100,093,000) for the Reporting Period or a YOY decrease of 4.17% excluding the effect of Provisions for Maintenance/Resurfacing. During the previous year, maintenance and improvement works were carried out on such highways as the South Section of Meiguan Expressway in Shenzhen region, resulting in an expense of approximately RMB132,299,000. Meanwhile, the maintenance works for the road surface were carried out as scheduled on some of highways in Shenzhen region with the Provisions for Maintenance/Resurfacing funds, significantly lowering the expensed maintenance cost of the Group's highways on year-on-year basis. However, the cost of depreciation and amortisation of the toll highways correspondingly increased as a result of the growth of traffic volume. As affected by the combination of the aforesaid factors, the cost of traffic services excluding Provisions for Maintenance/Resurfacing slightly dropped during the Reporting Period.

An analysis on cost of services is as follows:

Cost of traffic services item	**2012 (RMB'000)**	**Percentage of total**	**2011 (RMB'000)**	**Percentage of total**	**Change**
Employee expenses	169,794	13.05%	159,797	11.77%	6.26%
Road maintenance expenses	141,878	10.90%	311,134	22.91%	-54.40%
Depreciation and amortisation	777,088	59.70%	687,244	50.60%	13.07%
Other business costs	212,819	16.35%	200,014	14.73%	6.40%
Sub-total	1,301,579	100.00%	1,358,189	100.00%	-4.17%
Provisions for Maintenance/Resurfacing	-	-	(258,096)	-	N/A
Total	1,301,579	-	1,100,093	-	18.32%

(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 RMB129,100,000 (2011: RMB127,702,000), substantially remaining at the similar level when compared on year-on-year basis. As affected by the implementation of such policies as Standardisation Scheme and changes in the traffic distribution in the road network, the YOY growth of toll revenues of most joint ventures and associates either slowed down or dropped. Benefited from the positive effects brought from the adjustment of functional position and planning of neighboring regions and the construction of works of neighboring roads, toll revenues from Changsha Ring Road and the Group's investment income recorded a remarkable increase. The cost of services for Shuiguan Expressway increased as results of the corresponding increase in the amortisation per unit upon the completion of the expansion since July 2011 and the expensed interests on the related borrowing costs, and therefore the Group's corresponding investment income decreased. A detailed analysis on investment income from joint ventures and associates is as follows:

Toll highway	**Percentage of interests held**	***Toll revenue***		***Cost of services***		***Gross margin***		**Investment income of the Group (Note)**	
		2012 (RMB'000)	***Change***	***2012 (RMB'000)***	***Change***	***2012***	***Change (pct.pt)***	**2012 (RMB'000)**	**Change (RMB'000)**
Joint Venture:									
Changsha Ring Road	51%	*43,715*	*38.92%*	*36,817*	*4.16%*	*15.78%*	*28.10%*	2,944	5,182
Associate:									
Shuiguan Expressway	40%	*440,858*	*7.65%*	*155,117*	*21.39%*	*64.81%*	*-3.98%*	57,758	-5,759
Shuiguan Extension	40%	*56,903*	*-20.75%*	*43,854*	*-11.43%*	*22.93%*	*-8.10%*	-5,091	-3,809
Yangmao Expressway	25%	*486,957*	*10.50%*	*209,230*	*7.77%*	*57.03%*	*1.09%*	39,496	4,985
Guangwu Project	30%	*249,366*	*6.03%*	*103,910*	*-4.85%*	*58.33%*	*4.76%*	20,720	3,949
Jiangzhong Project	25%	*340,952*	*-3.97%*	*232,426*	*1.99%*	*31.83%*	*-3.98%*	695	-2,970
GZ W2 Expressway	25%	*261,086*	*-2.99%*	*123,167*	*2.69%*	*52.83%*	*-2.61%*	3,023	-3,505
Nanjing Third Bridge	25%	*327,382*	*8.27%*	*136,901*	*0.47%*	*58.18%*	*3.25%*	6,084	2,676
Total								125,629	749

Note: Investment income of RMB3,021,000 (2011: RMB2,822,000) from Consulting Company and other investment income of RMB450,000 were not included in the figures 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 a profit of RMB113,646,000 from the entrusted construction management services for the entrusted construction projects of which the outcome can be estimated reliably. The profit was mainly attributable to the recognition of relevant incomes and costs of the entrusted construction management services based on the government's audit results, estimation of related service results and progress of the projects such as Nanping (Phase I). The analysis on the incomes and costs from the entrusted construction management services is as follows:

Entrusted construction management services item	Income		Cost		Profit from the entrusted construction management services	
	2012 (RMB'000)	Change (RMB'000)	2012 (RMB'000)	Change (RMB'000)	2012 (RMB'000)	Change (RMB'000)
Nanping (Phase I)	129,079	129,079	61,783	61,783	62,946	62,946
Nanping (Phase II)	84,359	74,030	56,876	46,548	24,263	24,263
Coastal Project	35,861	-60,803	22,017	564	12,050	-56,925
Other project	27,187	6,823	11,637	8,031	14,387	-1,558
Total	276,486	149,129	152,313	116,926	113,646	28,726

The cost of entrusted construction management services mainly attributable to the labor cost for project management and other service costs arisen from the government's audit results and the contracts. For the Reporting Period, the cost of entrusted construction management services amounted to RMB152,313,000 (2011: RMB35,387,000). The significant YOY increase is mainly attributable to the recognition by the Group of other service costs as borne by the Company based on the government's audit results for and the provisions under the contracts of the projects such as Nanping (Phase I) in the Reporting Period .

◆ 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 RMB18,000,000 and a relevant profit of RMB16,990,000 after deducting relevant tax.

◆ Profit from advertising business

During the Reporting Period, the advertising business of the Group recorded a profit of RMB33,209,000 (2011: RMB30,713,000) with a YOY increase of 8.13%. With the expansion of the advertising business of the Group, the revenue from advertising business grew 20.99% YOY in the Reporting Period. Cost of services including the amortisation of the advertisement use right recorded a YOY increase of 23.50% correspondingly.

3. General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period amounted to RMB79,969,000 (2011: RMB87,752,000), representing a YOY decrease of 8.87%. Such decrease was mainly attributable to the YOY decrease in development expenses of businesses during the Reporting Period and making additional provision for the housing allowances for employees as required by Shenzhen Municipal Government last year.

4. Financial Expenses

The Group's financial expenses for the Reporting Period amounted to RMB622,418,000 (2011: RMB547,659,000), representing a YOY increase of 13.65%, or a YOY increase of 18.38% excluding the Provisions for Maintenance/Resurfacing. During the Reporting Period, with the increase in the Group's average borrowing scale, the increase in interest rate in accordance with the provisions under the contracts and the decrease in exchange gains, the financial costs increased. In addition, the increase in the average balance of capital and the deposit interest rate and appropriate fixed deposit arrangements resulted in a YOY increase of interest income. For details, please refer to point 1 of "Analysis of Financial Position" and point 3 of "Capital and Financing" below. A detailed analysis on financial expenses is as follows:

Financial expenses item	**2012 (RMB'000)**	**2011 (RMB'000)**	**Change**
Interest expenses	619,767	550,380	12.61%
Less: Interest capitalised	9,330	2,962	214.99%
Interest income	34,557	16,349	111.37%
Exchange gain/loss and others	(12,151)	34,328	N/A
Financial expenses excluding time value of Provisions for Maintenance/Resurfacing	588,031	496,741	18.38%
Add: Time value of Provisions for Maintenance/Resurfacing	34,387	50,918	-32.47%
Financial expenses	622,418	547,659	13.65%

5. Income Tax Expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB209,836,000 (2011: RMB237,077,000), representing a YOY increase of 17.89% excluding the Provisions for Maintenance/Resurfacing. Such increase was mainly attributable to the combined effects of the rise of income tax rate for the Reporting Period (2012: 25%, 2011: 24%), the increase of taxable income and the receipt of tax rebate by Magerk Company for prior years in 2011.

6. Provisions for Maintenance/Resurfacing

The effect of the Group's making and adjusting Provisions for Maintenance/Resurfacing on the main items of the consolidated income statements for 2012 and 2011 is set out below:

Item	**Effect of Provisions for Maintenance/Resurfacing** (RMB'000)	
	2012	**2011**(Note)
Cost of services	**-**	**(258,096)**
Of which: Jihe West	-	*(160,773)*
Yanpai Expressway	-	*(16,411)*
Yanba Expressway	-	*(77,089)*
Nanguang Expressway	-	*(3,823)*
Profit before interests, tax and general and administrative expenses	**-**	**258,096**
Financial expenses	**34,387**	**50,918**
Income tax expenses	**(8,597)**	**51,795**
Net profit	**(25,790)**	**155,383**

Note: The Group has made adjustments to Provisions for Maintenance/Resurfacing of major toll highways based on the review results of the plan and the implementation measures for maintenance/resurfacing of highways since 1 July 2011. For details, please refer to note 2 (29) to the Financial Statements in 2011 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. That is, the amortised amount is calculated, based on usage amount per unit, 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 conducts regular reviews on the projected traffic volumes and makes corresponding adjustments to ensure reliability and accuracy of the amortised amount.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortised 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 RMB224,000,000, of which the amortisation difference of RMB145,000,000 was attributable to Qinglian Expressway which was still in the early stage of its operation. 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 are as follows:

Toll highway	Percentage of interests held	Amortised amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of interests (RMB million)	
		Units-of-usage method 2012	Units-of-usage method 2011	(1) Straight-line method	2012	2011
Meiguan Expressway	100%	51	46	38	13	10
Jihe East	100%	165	159	155	10	4
Jihe West	100%	42	41	28	14	13
Yanpai Expressway	100%	44	39	47	-3	-8
Yanba Expressway	100%	46	43	69	-23	-26
Nanguang Expressway (2)	100%	47	41	100	-53	-44
Qinglian Expressway (2)	76.37%	177	124	367	-145	-181
Wuhuang Expressway	55%	100	90	89	6	1
Changsha Ring Road	51%	11	8	18	-4	-5
Shuiguan Expressway (3)	40%	71	55	110	-16	-6
Shuiguan Extension	40%	24	21	24	-	-1
Yangmao Expressway	25%	91	73	90	1	-4
Guangwu Project	30%	68	58	57	3	1
Jiangzhong Project	25%	120	108	136	-4	-5
GZ W2 Expressway	25%	56	57	111	-14	-14
Nanjing Third Bridge	25%	76	72	111	-9	-10
Total					-224	-275

Notes:

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

(2) As certain construction works in Nanguang Expressway and Qinglian Expressway were completed, the amortised amount calculated by the straight-line method was re-calculated accordingly.

(3) As the expansion for 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 in 2012 was calculated on annual basis.

II. Analysis of Financial Position

1. Assets, Equity and Liabilities

The Group's financial position remains solid, and its assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which account for 83.81% of its total assets, and cash at bank and on hand and other assets accounts for 8.08% and 8.11 % of its total assets respectively. As at 31 December 2012, the Group's total assets amounted to RMB24,209,125,000 (31 December 2011: RMB24,608,793,000), representing a YOY decrease of 1.62%. The decrease was mainly attributable to amortisation of concession intangible assets and depreciation of fixed assets.

The main items of assets and liabilities of the Group are listed as follows:

Items	As at 31 December 2012 (RMB'000)	Percentage of total	As at 31 December 2011 (RMB'000)	Percentage of total	Change
Cash at bank and on hand	1,956,056	8.08%	2,175,670	8.84%	-10.09%
Long-term equity investments	1,653,743	6.83%	1,616,115	6.57%	2.33%
Intangible assets	18,636,247	76.98%	18,962,585	77.06%	-1.72%
Current portion of non-current liabilities	2,538,991	10.49%	812,397	3.30%	212.53%
Long-term borrowings	5,217,739	21.55%	5,898,631	23.97%	-11.54%
Bonds payable	3,081,681	12.73%	4,355,650	17.70%	-29.25%

Current portion of non-current liabilities of the Group recorded a significant increase, which is mainly attributable to the maturity of Bonds with Warrants and medium-term notes in 2013, the balances of which were transferred to current portion of non-current liabilities. In addition, the maintenance work for Jihe West was to be carried out and thus related provisions were transferred to current portion of non-current liabilities.

As at 31 December 2012, the Group's total equity amounted to RMB10,872,916,000 (31 December 2011: RMB10,497,388,000), representing an increase of 3.58% over the end of 2011. This was mainly attributable to the increase by net profit for the Reporting Period and the deduction by dividend distributed for 2011.

As at 31 December 2012, outstanding bonds payable and bank borrowings of the Group amounted to RMB10,563,618,000 (31 December 2011: RMB10,879,433,000, 1 January 2011: RMB9,475,223,000), representing a decrease of 2.90% over the end of 2011, of which Qinglian Project utilised the borrowings of RMB5.54 billion.

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 RMB427,344,000 worth of foreign currency-denominated monetary liabilities in HK$, while RMB3,673,000 and RMB97,000 worth of foreign currency denominated monetary assets were in HK$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. The Company has arranged relevant financial instruments to hedge the risk of foreign exchange fluctuation of foreign currency denominated-liabilities. The Company has arranged "Non-Deliverable Gross 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$357 million. The Company 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. As at the end of the Reporting Period, the forward contract was settled.

The aforesaid derivative financial liabilities measured in fair value and the change in fair value during the Reporting Period are as follows:

Types of investment	Sources of funding	Contracting party	Amounts of the investment	Investment period	Product type	Expected gains (RMB'000)	Gains and losses from investments (change in fair values during the Period) (RMB'000)	Whether involved in litigation
Derivative	Self-owned	Industrial and Commercial Bank of China (Asia) Limited	HK$420 million	2010.4-2014.9	Non-Deliverable Gross Currency Swap	N/A	4,707	No
Derivative	Self-owned	Industrial and Commercial Bank of China (Asia) Limited	HK$227 million	2010.4-2012.9	Non-Deliverable Forward	-2,158	-935	No

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. Both the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group decreased YOY as at the end of the Reporting Period. At the same time, as affected by the decrease of the profit and the increase of the interest expenses of the Group, the interest covered multiple decreased. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, 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 2012	31 December 2011
Debt-to-asset ratio (Total liabilities / Total assets)	55.09%	57.34%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents) / Total equity)	79.18%	82.99%
	Jan-Dec 2012	**Jan-Dec 2011**
Interest covered multiple (Profit before interests and tax / interest expenses)	2.42	2.92
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation / interest expenses)	3.66	4.10

3. Liquidity and Cash Management

During the Reporting Period, as a result of relatively unfavorable financing policy and environment for toll highway industry, and relatively large scale of total liabilities and gradually increasing current liabilities of the Company, the Group continued to improve its debt structure through related financing arrangements to reduce the pressure from current liabilities, strengthen the collection and monitor of cash on major projects and subsidiaries, appropriately increase its cash on hand and maintain sufficient banking facilities so as to prevent the liquidity risk. Meanwhile, the Group maximised its capital gains by arranging a number of fixed deposits with appropriate deposit terms.

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 investment in securities or entrusted management.

	31 December 2012 (RMB million)	31 December 2011 (RMB million)	Change
Net current assets / (Net current liabilities)	(1,185)	155	N/A
Cash and cash equivalents	1,954	2,168	-9.86%
Banking facilities available	5,899	6,008	-1.81%

III. Capital and Financing

1. Capital Expenditure

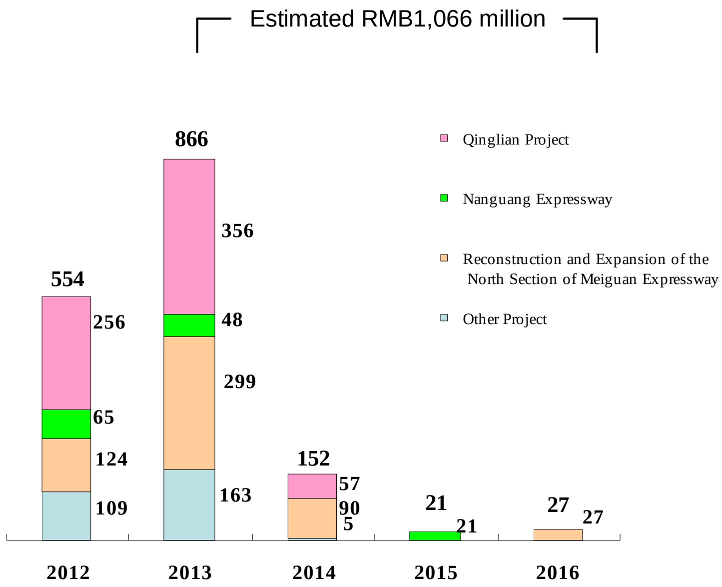
During the Reporting Period, the Group's capital expenditures mainly comprised the remaining construction investments and settlements of projects such as Qinglian Project and Nanguang Expressway, and the reconstruction and expansion for Meiguan Expressway, totaling approximately RMB554 million. The investments in major projects during the year are as follows:

Project name	Project amount (RMB million)	Project progress	Amount invested during the year (RMB'000)	Accumulated amount actually invested (RMB'000)	Gains from the project
Nanguang Expressway	3,095	98%[Note]	65,100	3,025,910	For details of the operational performance of related projects during the Reporting Period, please refer to "Analysis of Operating Results" above.
Qinglian Project	6,173	100%	255,810	5,707,860	
Reconstruction and expansion for Meiguan Expressway	715	43%	123,940	299,040	

Note: Nanguang Expressway was opened for operation in 2008. The construction works of the Nanping Interchange were postponed as results of the design of Nanping (Phase II). Such remaining construction works will be completed in 2014.

As at 31 December 2012, the Group's capital expenditure plan mainly covered the expenses on the projects as mentioned above. The Group's capital expenditure will be expected to be approximately RMB1,066 million by the end of 2016. The Group plans to satisfy such capital needs with its own capital and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability currently are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan (Unit: RMB Million)



2. 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 cash flows of the Group are listed as follows:

	2012 (RMB'000)	2011 (RMB'000)	Change
Net cash flows from operating activities	1,530,655	1,508,131	1.49%
Net cash flows from investing activities	(428,056)	(740,857)	-42.22%
Net cash flows from financing activities	(1,315,954)	828,144	N/A

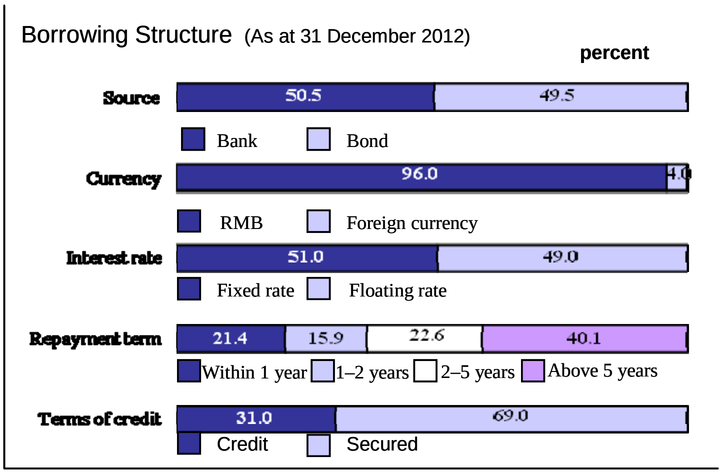
During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments [Note] totaled RMB1,616,776,000 (2011: RMB1,632,720,000), basically on par YOY. During the Reporting Period, capital expenditures decreased and the net cash outflows from investing activities recorded a YOY decrease of 42.22%. At the same time, the Group implemented related financing arrangements and debt restructuring based on its related financing arrangement plan and financial strategies, resulting in a substantial net cash outflows from financing activities during the Reporting Period.

Note: The aggregated amount of net cash inflows from operating activities and cash return on investments = Net cash flows from operating activities + Cash received from disposal of investments + Cash received from returns on investments. According to the articles of association of the Company's joint ventures and associates, those companies will distribute cash to their shareholders if the conditions for cash distribution are fulfilled. According to characteristics of the toll highway industry, such cash return on investments will provide continuous and stable cash flow. The reason that the Company provided the aggregated figures of net cash inflows from operating activities and cash return on investments was to help the users of the financial statements understand the performance of our recurring cash flow from the operating and investing activities.

3. Financial Strategies and Financing Arrangements

During the year, despite the moderate loosening of overall monetary policies and the downward movement of the interest rates in the market, the negative effects of the policies on the industry not only caused a decrease in the Group's operating revenue and cash flow, but also posed more difficulties for the Group to seek external financing. During the Reporting Period, The Group actively requested the special loan be released in accordance with the loan agreement for the projects including Qinglian Project and issued private placement notes of RMB800 million for replenishing the working capital of the Company and its subsidiaries. The Group also timely adjusted the scale and structure of its short and medium term debts in line with the changes of external environment and the Group's internal financial budget plan. In addition, the Company is actively studying various financing channels and financial instruments. The aforesaid strategies and arrangements not only ensures the capital requirements and effective control of the costs for the current period, but also lays a foundation for the Group's financial arrangements for the next year.

The Group's composite borrowing costs for the Reporting Period amounted to 5.75% (2011: 4.96%), which was 0.79 percentage point higher than that in 2011. During the Reporting Period, the Group did not have any overdue principal and interests of bank loans.



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 ratings of the issued enterprise bonds, corporate bonds and medium-term notes were maintained at their original ratings of AAA or AA+.

As at 31 December 2012, the Group had obtained a total of RMB13.6 billion of banking facilities, including RMB7.8 billion of credit facilities specifically for projects under construction and RMB5.8 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB5.9 billion, of which RMB0.6 billion was credit facilities specifically for projects under construction and RMB5.3 billion was general credit facilities.

4.3 Outlook and Plans

I. Analysis on Operating Environment

With the progress of urbanisation, the transition and upgrade of regional economy and the benefits from the higher car ownership, it is expected that the overall traffic demand in the PRC will maintain a relatively steady growth in the future. In the second half of 2012, the economy rebounded slightly. A stable overall economy or a substantive recovery will facilitate the stabilisation of the total transportation volume and the prosperity of the transportation and its related industries.

The development of the society and economy brings opportunities and challenges to the toll highway industry. Economic growth drives the development of transportation infrastructure. Different modes of transportation offer diversified options for different groups. This not only encourages the public's desire for travelling, but also changes the competition pattern that the toll highway industry faces in their operation. Economic growth pushes up the costs of such production essentials as land, materials and labour. In addition, the introduction of new industry standards by the government authorities from time to time also imposes more cost pressure on the investment and construction, maintenance and repair works and daily operation of the toll highway industry. In particular, for the newly built toll highways, their overall yields showed a downward trend caused by the rising costs of land requisition, demolition and relocation as well as construction. Economic growth leads to technology innovation, enabling the toll highway industry to improve efficiency and reduce costs, but at the same time increasing the reliance of the business operation on external information systems and the uncertainty of the costs and effectiveness of new technology.

During recent years, the external operating environment of the toll highway industry is undergoing major transitions and changes. The negative public view on toll highways climbs and the national policy on the industry has been further tightened. In 2012, the Standardisation Scheme implemented in Guangdong province and the Toll Free Scheme on Holidays implemented across the country brought relatively significant impacts on the profits of the Group. Stepping into 2013, the impacts of the aforesaid policies will still exist. In addition, as the Standardisation Scheme has been implemented since June 2012 and the impacts of the Toll Free Scheme on Holidays has been effective for eight days only, the impacts of the aforesaid policies on the Group will become more significant in 2013. By rough calculation [Note], the Group's revenues will decrease by 15% for the whole year as compared to that if the aforesaid policies were not come into effect. Although from the viewpoint of the overall domestic road network planning and road scale and thus significant changes in the overall policy on toll highways in near term are unlikely, upcoming individual policies or administrative measures will put pressure on and bring challenges to the Group's operations and management.

Note: Simulation calculation for relevant impact was done by the Company based on the available data and historical data. With the limitation on the adjustment to the data statistical method and the differences of the operating environments in different years, the related estimation cannot be entirely accurate. Such data are for investors' reference only. Investors should exercise caution and avoid improper reliance on such data.

With the growth of the regional economy and the increasing demand in traffic, there is pressure that the government may repurchase certain projects of the Company. Recently, Shenzhen Municipal Government had a number of communications and negotiations with the Company for the repurchase of the South Section of or the whole of Meiguan Expressway. Due to the wide coverage and the complication of the approval procedures, no detailed plan has been formulated. If the repurchase is confirmed, not only the Group's short term profits and the long term sources for the profits but also the distribution of traffic flow and composition of the road network in Shenzhen may be affected, which in turn pose positive or negative impacts on other projects within the road network. In addition, during recent years, the government has planned to gradually remove the tolls for class 2 roads. If the toll collection rights of Qinglian Class 2 Road were removed in the near future, it might induce risks of asset loss. As the specific implementation arrangement or scheme for removal of commercial toll fees for class 2 roads in Guangdong province is still uncertain, the Company will negotiate with the government at appropriate time for a reasonable and feasible program so as to reduce the adverse risks.

In 2013, the provincial-wide inter-network toll collection and toll-by-weight policy in Guangdong province will continue to be pushed forward. In accordance with related regulations on road and traffic safety management, Shenzhen government will also continue to issue specific requirements for the road operators. These requirements may result in the increase of overall investment, and affect and change the cost structure and management pattern, of the projects.

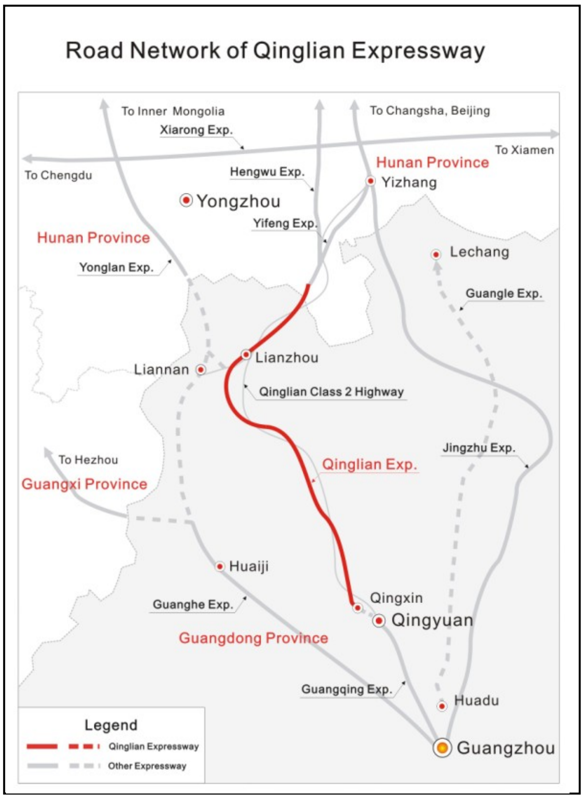
In addition to the impacts brought from the adjustment in the industry policies, the business operation of the Group may also be affected by related policies on the industry, land, labour and environmental protection of the country. The Company will keep a close eye on the policy updates, keep in touch with the government authorities and formulate feasible measures to minimise the risks. At the same time, the Company will also timely adjust its operating strategies in line with the development needs and internal and external environments to protect the interests of the Company and the shareholders as a whole.

In 2013, the overall currency policy is expected to remain stable. However, changes of the policy environment on the toll highway industry may affect the expectation of financial institutions on the outlook of the industry which may in turn adversely affect the financing strategies and credit ratings of the industry. In addition, the control on the utilisation of funds is expected to be tightened. This will cause more difficulty to the Group for making financing arrangements and obtaining lower-cost funding, which will require the Group to carry out more well-planned financing arrangement and management. As the maturity dates of the fixed interest loans and bonds are approaching, the costs for obtaining new or displaced loans will be higher than that obtained previously and thus the overall borrowing cost of the Group will increase. It is expected that the financial cost of the Group in 2013 will remain stable or slightly decrease as compared to that for 2012 as the decrease in borrowing scale of the Group.

II. Analysis on Operating Conditions

In 2013, the projects such as Boluo to Shenzhen section of Renshen Expressway (also known as Boshen Expressway), the Coastal Expressway (Shenzhen Section), Phase II of Qingping Expressway in Shenzhen and its neighboring areas will be completed and operated in succession. In addition, the government plans to implement the traffic organisation plan in such places as Shenhui Road and remove the tolls in Yantian'ao Tunnel. These measures will affect the traffic distribution and composition in road network and in turn affect the operational performance of the Group's toll highway projects operated and invested in the Shenzhen region.

At the end of December 2012, 15 expressways commenced operation in Hunan province, of which the operations of Erguang Expressway Yongzhou to Lanshan section (also known as Yonglan Expressway), Beijing, Hong Kong and Macao Expressway Dual-line Hengyang to Linwu section (also known as Hengwu Expressway) and Xiarong Expressway Nucheng to Daoxian section (horizontally connecting Yonglan Expressway and Hengwu Expressway) are expected to bring Qinglian Expressway a new growth in traffic volume.



As planned, Erguang Expressway Yongzhou, Hunan to Lianzhou, Guangdong section and Guangle Expressway (Guangzhou – Lechang) are under construction and are expected to bring positive and negative impacts respectively on the future operational performance of Qinglian Expressway. The construction plans and completion dates of the aforesaid projects are currently yet to be finalised.

A measure to restrict the passage of large vehicles of 30 tons or more is still implemented for some bridges of Guangqing Expressway (Guangzhou – Qingyuan) which connects to the southern end of Qinglian Expressway. Currently, no notice regarding the abolishment of the restriction has been received. In addition, the expansion works for Guangqing Expressway is under progress which, upon completion, will facilitate the diversion of southward bound traffic from Qinglian Expressway, improve the traffic efficiency and quality of the service of the whole expressway and thus increase the competitiveness of Qinglian Expressway. However, in the short run, the road condition between Guangzhou and Qingyuan will to a certain extent affect the incentive of the road users travelling through Qinglian Expressway to and from Guangdong, Hunan and the areas to the north of Hunan, hence limiting the rapid growth of the traffic volume of Qinglian Expressway.

Han'e Expressway (Wuhan – Ezhou) in Hubei has commenced operation at the end of 2012. It basically runs parallel to Wuhuang Expressway and will divert its traffic volume. Magerk Company has put more resources on the promotion of the project to attract more traffic with such measures as setting up clear road signs in order to cope with the new challenges brought by the changes in road networks.

Following the growth of the use-age of highway projects and the completion of preventive maintenance planning program in Shenzhen region, the Group will implement maintenance and repair works for the projects in succession. After the completion of the main works of the maintenance works for Jihe East at the beginning of 2013, the Group has planned to commence the maintenance works for Jihe West and the preventive maintenance works for some sections within 2013, and the expansion works for North Section of Meiguan Expressway will progress as scheduled. 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. The Company accumulated practical experiences in the traffic organisation during the construction period. 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 daily operations.

III. Ongoing Reviews on and Implementation of the Strategies

In response of the ongoing reviews on the environment and the actual situation, the Board approved "2010-2014 Development Strategies" of the Company in early 2010 to specify the development approach of "actively exploring and attempting for new industry investment to achieve synergistic growth in scale and effectiveness by adherence to a market-oriented mindset and based on our highways business". During the period covered by the new strategies, the main focuses of the Company's development were to increase the overall return of the Company's assets and actively study and attempt for industries and businesses related to toll highway industry and the Company's core business capability, in order to seek new opportunities for the Group's long-term development.

The year of 2012 was the third year of the implementation of the development strategies of the Group. The Group continued to carry out various tasks under the guidance of the established strategies and based on the annual operating targets, and actively responded to the adverse effects on the operating performance of the Company brought from the slowdown of the macro-economy and the continuous tightening policies on toll highway industry. In 2012, the Company successfully realised the operating management targets set at the beginning of the year and saw no significant differences in terms of revenues and cost control as planned at the beginning of the year which was in line with the expectation of the management. For details, please refer to Business Review and Financial Analysis above.

For business expansion, the Group has made some progress in entrusted management business and advertising and is further studying the feasibility of specify direction and area for the business 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 in 2011. During the year, on the basis of the advancement of the construction management of Guilong Project, the Group participated in the tender on related land, and conducted a multi-angle and in-depth study and research on the realisation of land value in order to lay a solid foundation for the implementation of next phase of strategies.

IV. Work Plans and Objectives in 2013

In the new year, the Group will carry on with the principle of pragmatism and aggressiveness, proactively cope with different challenges and strive to improve the operating results. The Group's objectives and priorities for 2013 include:

- **Operating targets:** Based on the reasonable analysis and assumption on our operating environment and operating conditions, the Group has set the total toll revenue target for 2013 of not less than RMB2.65 billion, with operating costs and management expenses (excluding depreciation and amortisation) of approximately RMB0.75 billion.

- **Operation management:** We will timely update and analyse the traffic volume within the road networks, carry out targeted promotional campaign for the road network to attract traffic flow and explore the market potential. We will further enhance the emergency response capability for peak-hour traffic, advance the work on inter-network toll collection in Guangdong province in order and ensure the traffic efficiency and traffic capacity of the highways. We will study and follow up the specific requirements of the implementation of toll-by-weight in Pearl River Delta and implement reasonable measures based on the actual circumstances of the Company.

- **Highway management:** We will promote the establishment of the highway management system, conclude and review the maintenance works of Jihe East to accumulate practical experience in the technology for the maintenance works in order to complete the maintenance works for Jihe West and preventive maintenance works for highways in Shenzhen region with high standard of quality and cost effectively controlled.

- **Construction management:** We will enhance the refined and standardised management of the projects, proactively push forward the progress of the construction projects and strive to achieve various management targets without compromising the safety and quality of the construction works. We will strengthen the management of entrusted construction projects, actively communicate and coordinate with the entrusting party, accelerate project payment settlement and achieve timely recovery of entrusted construction revenue.

- **Business development:** We will conduct the research and negotiation for the proposals in respect of the toll collection method adjustment program of Meiguan Expressway and Qinglian Class 2 Road, the mode of investment of the Outer Ring Expressway and the mode of operation management of Costal Project. We will further conduct the research and acquire the knowledge on the mode of operation, the mode of profit and the risk prevention measures for the business operation of BT-linked land development based on Guilong Project and will push forward the progress of the project in a prudent manner.

- **Financial management:** We will closely monitor the changes in currency policies and financing environment, and repay the principals of the medium-term notes and convertible bonds upon their maturity. We will explore more financing channels and seize the opportunity to choose the financial instruments with lower costs. We will also strengthen the forecasting and daily management of cash flow and improve the timeliness and accuracy of the financing plans. Without compromising the financial safety of the Group, we will further improve the debt structure and reasonably control the capital cost.

- **Comprehensive management:** We will continue to improve the system of human resources management and build up a team of talents and management systems which are in line with the stages of development of the Company. We will constantly improve the Group's internal control and risk management mechanisms and move forward optimisation of organisation to meet actual needs of the Group during its development.

In 2013, the Group will adhere to our philosophy of sound operation, by way of increasing income and containing expenditures, carry out various major works and the key parts of the works well. 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.

§5 Matters Related to Financial Statements

5.1 There is no change in accounting policies, accounting estimates and accounting methods of the Company as compared to those of last year.

5.2 There is no correction of accounting errors by the Company occurred during the Reporting Period.

5.3 There is no change in the scope of consolidated financial statements of the Company as compared to that of last year.

5.4 The consolidated financial statements and notes for the year 2012 of the Company are set out in the appendix to this annual report summary.

5.5 Results review

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2012.

5.6 Auditors' procedures performed on this annual report summary

The figures in the annual report summary of the Company for the year 2012 have been agreed by the Company's auditors, PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian"), to the amounts set out in the Company's audited consolidated financial statements for the year. The work performed by PwC Zhong Tian in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PwC Zhong Tian on this annual report summary.

§6 Other Matters

6.1 Purchase, sale or redemption of securities

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

6.2 Compliance with the Code on Corporate Governance Practices and Corporate Governance Code

During the Reporting Period, the listed company on HKEx should comply with the code provisions of the "Code on Corporate Governance Practices" formerly set out in Appendix 14 of the Listing Rules of HKEx and the "Corporate Governance Code" set out in new edition of Appendix 14 of the Listing Rules of HKEx which took effect on 1 April 2012. In the corresponding period the Company has complied with the code provisions except that some Non-executive Directors and Independent Directors were unable to attend general meetings of the Company due to official bussinesses during the Reporting Period.

6.3 Compliance with the Model Code

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

§7 Definitions

Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City, comprising the *North Section of Meiguan Expressway* (Qinghu to Liguang) and the *South Section of Meiguan Expressway* (Meilin to Qinghu)
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising *Jihe East* (Qinghu to He'ao) and *Jihe West* (Airport to Qinghu)
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A (Yantian to Xichong), Yanba B (Xichong to Kuichong) and Yanba C (Kuichong to Bagang)
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue)
Outer Ring Expressway	Shenzhen Outer Ring Expressway
Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the Coastal Expressway from Guangzhou to Shenzhen ("*Coastal Expressway*")
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan
Qinglian Project	*Qinglian Expressway*, *Qinglian Class 1 Highway*, *Qinglian Class 2 Road* and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be

Yangmao Expressway	The expressway from Yangjiang to Maoming
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi ("*Guangwu Expressway*")
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway
Wuhuang Expressway	The expressway from Wuhan to Huangshi
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section)
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge
Longda Project	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of Longda Expressway
Nanping Project	The management of the construction project of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) undertaken by the Company, among which, the first phase of Nanping Freeway refers to *Nanping (Phase I)* and the second phase of Nanping Freeway refers to *Nanping (Phase II)*, comprising section A and section B
Shenyun Project	The management of the construction project of Shenyun-North Ring Interchange renovation in Shenzhen undertaken by the Company
Longda Municipal Section	The management of the construction project of municipal facilities of Dalang Section of Longda Expressway undertaken by the Company
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period
Guilong Project	The project of phase I of Guilong Road in Longli, Guizhou Province by "build - transfer" mode ("*Road Construction Project*") and the project of primary development of relevant land ("*Development Project*") undertaken by the Group
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited)
JEL Company	Jade Emperor Limited
Magerk Company	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited)
Investment Company	深圳高速投資有限公司(Shenzhen Expressway Investment Company Limited)
Guishen Company	貴州貴深投資發展有限公司(Guizhou Guizhen Investment Development Company Limited)
Reporting Period, Period, Year	For the twelve months ended 31 December 2012
YOY	Year-on-year change rate as compared to the same period of 2011
The Company, Company	Shenzhen Expressway Company Limited
The Group, Group	The Company and its consolidated subsidiaries
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx

SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
CAS	The Accounting Standards for Business Enterprises (2006) of the PRC
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited)
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company)
Shenzhen International	Shenzhen International Holdings Limited
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited)
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited)
PRC	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 22 March 2013

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

This summary is prepared in Chinese and English. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

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

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Consolidated Financial Statements (including notes)

For the Year ended 31 December 2012

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Financial statements for the year ended 31 December 2012	
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Shenzhen Expressway Company Limited

Consolidated Balance Sheet
As at 31 December 2012
(All amounts in RMB unless otherwise stated)

Assets	Note	31 December 2012	31 December 2011
Current assets			
Cash at bank and on hand	5(1)	1,956,056,006.44	2,175,670,176.39
Accounts receivable	5(2)	385,812,938.72	315,745,448.31
Advances to suppliers	5(4)	320,335,136.60	15,930,561.01
Interest receivable		2,236,957.19	1,054,222.22
Other receivables	5(3)	37,496,747.37	194,749,864.07
Inventories	5(5)	2,980,022.26	3,643,274.66
Total current assets		**2,704,917,808.58**	**2,706,793,546.66**
Non-current assets			
Long-term equity investments	5(6)	1,653,743,186.99	1,616,114,885.51
Investment properties	5(7)	15,829,225.00	16,404,925.00
Fixed assets	5(8)	1,098,074,917.42	1,215,347,067.45
Construction in progress	5(9)	16,357,384.44	28,349,097.79
Intangible assets	5(10)	18,636,247,042.26	18,962,584,720.93
Long-term prepaid expenses		4,717,014.07	3,049,260.65
Deferred tax assets	5(11)	79,238,463.43	60,149,197.95
Total non-current assets		**21,504,207,233.61**	**21,901,999,155.28**
Total assets		**24,209,125,042.19**	**24,608,792,701.94**

Shenzhen Expressway Company Limited

Consolidated Balance Sheet (continued)
As at 31 December 2012
(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	Note	31 December 2012	31 December 2011
Current liabilities			
Short-term borrowings	5(12)	1,000,000.00	137,819,000.00
Accounts payable	5(13)	661,807,999.88	906,979,801.44
Advances from customers	5(14)	19,343,485.00	24,086,880.00
Employee benefits payable	5(15)	82,952,114.94	73,765,642.43
Taxes payable	5(16)	66,885,479.35	199,149,842.71
Interest payable	5(17)	102,406,437.69	96,738,066.52
Dividends payable	5(18)	-	7,829,353.57
Other payables	5(19)	416,155,154.40	292,636,940.62
Current portion of non-current liabilities	5(21)	2,538,991,115.62	812,396,755.52
Total current liabilities		**3,889,541,786.88**	**2,551,402,282.81**
Non-current liabilities			
Long-term borrowings	5(22)	5,217,739,400.00	5,898,630,708.00
Bonds payable	5(23)	3,081,681,079.84	4,355,649,716.83
Provisions	5(20)	195,892,410.37	356,109,917.53
Deferred tax liabilities	5(11)	935,283,505.52	938,248,278.82
Derivative liabilities	5(24)	16,070,892.42	11,364,107.77
Total non-current liabilities		**9,446,667,288.15**	**11,560,002,728.95**
Total liabilities		**13,336,209,075.03**	**14,111,405,011.76**
Owners' equity			
Share capital	5(25)	2,180,770,326.00	2,180,770,326.00
Capital surplus	5(26)	3,181,011,501.38	3,184,545,911.42
Surplus reserve	5(27)	1,604,265,015.87	1,534,894,948.48
Undistributed profits	5(28)	2,570,439,249.07	2,304,205,866.63
Total equity attributable to owners of the Company		**9,536,486,092.32**	**9,204,417,052.53**
Minority interests	5(29)	1,336,429,874.84	1,292,970,637.65
Total owners' equity		**10,872,915,967.16**	**10,497,387,690.18**
Total liabilities and owners' equity		**24,209,125,042.19**	**24,608,792,701.94**

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

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

Shenzhen Expressway Company Limited

Balance Sheet
As at 31 December 2012
(All amounts in RMB unless otherwise stated)

Assets	Note	31 December 2012	31 December 2011
Current assets			
Cash at bank and on hand		1,168,598,474.41	1,419,918,726.44
Accounts receivable	13(1)	340,856,332.71	261,825,282.91
Advances to suppliers		4,090,690.03	5,277,612.43
Interest receivable		2,236,957.19	1,054,222.22
Other receivables	13(2)	818,899,488.99	234,432,358.68
Inventories		1,634,514.63	1,396,799.80
Total current assets		**2,336,316,457.96**	**1,923,905,002.48**
Non-current assets			
Long-term receivables	13(3)	818,333,335.01	1,286,001,469.25
Long-term equity investments	13(4)	6,626,238,971.59	6,519,524,825.09
Investment properties	5(7)	15,829,225.00	16,404,925.00
Fixed assets	13(5)	590,628,811.45	655,712,088.89
Construction in progress	13(6)	2,837,057.32	1,392,509.32
Intangible assets	13(7)	4,982,655,389.41	5,060,277,975.29
Long-term prepaid expenses		2,134,482.53	3,049,260.65
Deferred tax assets		77,553,285.95	60,149,197.95
Total non-current assets		**13,116,210,558.26**	**13,602,512,251.44**
Total assets		**15,452,527,016.22**	**15,526,417,253.92**

Shenzhen Expressway Company Limited

Balance Sheet (continued)
As at 31 December 2012
(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	**Note**	**31 December 2012**	**31 December 2011**
Current liabilities			
Short-term borrowings	13(9)	-	155,000,000.00
Accounts payable	13(8)	86,207,026.06	113,209,630.98
Advances from customers		750,000.00	750,000.00
Employee benefits payable		56,868,475.27	49,767,762.00
Taxes payable		30,057,866.34	115,317,600.31
Interest payable		94,227,811.89	90,967,202.86
Other payables		263,316,621.65	197,942,202.12
Current portion of non-current liabilities	13(9)	2,372,232,167.49	379,586,432.03
Total current liabilities		**2,903,659,968.70**	**1,102,540,830.30**
Non-current liabilities			
Long-term borrowings	13(9)	837,462,400.00	1,622,019,900.00
Bonds payable	13(9)	3,088,084,219.09	4,363,096,009.72
Provisions	13(10)	195,892,410.37	356,109,917.53
Total non-current liabilities		**4,121,439,029.46**	**6,341,225,827.25**
Total liabilities		**7,025,098,998.16**	**7,443,766,657.55**
Owners' equity			
Share capital		2,180,770,326.00	2,180,770,326.00
Capital surplus		2,315,587,934.74	2,315,587,934.74
Surplus reserve		1,604,265,015.87	1,534,894,948.48
Undistributed profits		2,326,804,741.45	2,051,397,387.15
Total owners' equity		**8,427,428,018.06**	**8,082,650,596.37**
Total liabilities and owners' equity		**15,452,527,016.22**	**15,526,417,253.92**

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

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

Shenzhen Expressway Company Limited

Consolidated Income Statement
For the year ended 31 December 2012
(All amounts in RMB unless otherwise stated)

	Note	2012	2011
Revenue	5(30)	**3,134,623,093.04**	**2,951,619,056.98**
Less: Cost of services	5(30)	(1,510,732,256.08)	(1,182,533,577.16)
Business tax and surcharges	5(31)	(112,772,487.10)	(105,272,231.68)
General and administrative expenses	5(32)	(79,968,868.64)	(87,751,927.66)
Financial expenses – net	5(33)	(622,418,496.11)	(547,658,865.68)
Add: Investment income	5(34)	129,099,538.40	127,701,980.00
Including: share of profit of associates and joint ventures		129,099,538.40	127,701,980.00
Operating profit		**937,830,523.51**	**1,156,104,434.80**
Add: Non-operating income	5(35)	2,945,812.33	1,854,612.46
Including: Gains on disposal of non-current assets		45,150.00	81,690.00
Less: Non-operating expenses	5(35)	(4,357,114.10)	(1,343,877.29)
Including: Losses on disposal of non-current assets		(3,684,707.52)	(211,657.27)
Total profit		**936,419,221.74**	**1,156,615,169.97**
Less: Income tax expenses	5(36)	(209,836,232.08)	(237,077,391.39)
Net profit		**726,582,989.66**	**919,537,778.58**
Net profit attributable to owners of the Company		684,526,701.99	875,146,104.56
Minority interests		42,056,287.67	44,391,674.02
Earnings per share			
Basic earnings per share	5(37)	0.314	0.401
Diluted earnings per share	5(37)	0.314	0.401
Other comprehensive income	5(38)	**(3,534,410.04)**	**29,367,262.25**
Total comprehensive income		**723,048,579.62**	**948,905,040.83**
Attributable to owners of the Company		680,992,291.95	904,513,366.81
Minority interests		42,056,287.67	44,391,674.02

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

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

Shenzhen Expressway Company Limited

Income Statement
For the year ended 31 December 2012
(All amounts in RMB unless otherwise stated)

	Note	2012	2011
Revenue	13(11)	**1,248,823,229.72**	**1,121,723,824.97**
Less: Cost of services	13(11)	(529,249,522.18)	(136,018,999.94)
Business tax and surcharges		(43,867,809.29)	(41,251,170.83)
General and administrative expenses		(70,231,214.16)	(84,804,591.07)
Financial expenses – net	13(12)	(273,920,783.57)	(223,988,226.45)
Add: Investment income	13(13)	443,650,835.94	402,618,567.27
Including: share of profit of associates and joint ventures		129,099,538.40	127,701,980.00
Operating profit		**775,204,736.46**	**1,038,279,403.95**
Add: Non-operating income		2,161,185.46	1,346,803.36
Including: Gains on disposal of non-current assets		25,850.00	7,170.00
Less: Non-operating expenses		(1,077,120.34)	(970,797.41)
Including: Losses on disposal of non-current assets		(516,641.23)	(61,049.25)
Total profit		**776,288,801.58**	**1,038,655,409.90**
Less: Income tax expenses	13(14)	(82,588,127.73)	(154,032,377.34)
Net profit		**693,700,673.85**	**884,623,032.56**
Other comprehensive income		-	-
Total comprehensive income		**693,700,673.85**	**884,623,032.56**

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

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

Shenzhen Expressway Company Limited

Consolidated Cash Flow Statement
For the year ended 31 December 2012
(All amounts in RMB unless otherwise stated)

	Note	2012	2011
Cash flows from operating activities			
Cash received from rendering services		3,026,304,904.90	2,891,723,137.78
Refund of taxes and surcharges		-	17,398,563.48
Cash received relating to other operating activities	5(39)(a)	265,059,514.15	44,187,422.64
Sub-total of cash inflows		**3,291,364,419.05**	**2,953,309,123.90**
Cash paid for goods and services		(572,343,917.76)	(514,918,258.92)
Cash paid to and on behalf of employees		(235,714,729.21)	(216,113,042.21)
Payments of taxes and surcharges		(498,626,190.39)	(405,525,273.88)
Cash paid relating to other operating activities	5(39)(b)	(454,024,914.21)	(308,621,945.48)
Sub-total of cash outflows		**(1,760,709,751.57)**	**(1,445,178,520.49)**
Net cash flows from operating activities	5(40)(a)	**1,530,654,667.48**	**1,508,130,603.41**
Cash flows from investing activities			
Cash received from disposal of investments		27,816,224.05	19,301,663.36
Cash received from returns on investments		58,305,012.87	105,288,020.64
Net cash received from disposal of fixed assets		31,451.00	1,214,947.68
Net cash received from disposal of subsidiaries and other business units		5,350,000.00	-
Cash received relating to other investing activities	5(39)(c)	32,714,872.64	17,009,922.62
Sub-total of cash inflows		**124,217,560.56**	**142,814,554.30**
Cash paid to acquire fixed assets and intangible assets		(545,481,158.70)	(872,999,038.45)
Net cash paid to acquire subsidiaries and other business units		-	(6,570,000.00)
Cash paid relating to other investing activities	5(39)(d)	(6,792,022.37)	(4,102,820.00)
Sub-total of cash outflows		**(552,273,181.07)**	**(883,671,858.45)**
Net cash flows from investing activities		**(428,055,620.51)**	**(740,857,304.15)**
Cash flows from financing activities			
Cash received from capital contributions		142,735,990.13	122,562,335.84
Including: Cash received from capital contributions by minority shareholders of subsidiaries		142,735,990.13	122,562,335.84
Cash received from borrowings		473,938,192.00	1,151,534,808.00
Cash received from issuance of bonds		798,400,000.00	1,481,500,000.00
Cash received relating to other investing activities	5(39)(e)	-	275,000,000.00
Sub-total of cash inflows		**1,415,074,182.13**	**3,030,597,143.84**
Cash repayments of borrowings		(1,667,239,628.95)	(1,233,175,098.65)
Cash payments for interest expenses and distribution of dividends or profits		(1,054,687,978.14)	(963,835,985.85)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(168,287,394.17)	(172,125,000.00)
Cash payments relating to other financing activities	5(39)(f)	(9,100,923.59)	(5,442,319.18)
Sub-total of cash outflows		**(2,731,028,530.68)**	**(2,202,453,403.68)**
Net cash flows from financing activities		**(1,315,954,348.55)**	**828,143,740.16**
Effect of foreign exchange rate changes on cash		**(393,880.93)**	**(4,776,124.46)**
Net (decrease)/increase in cash	5(40)(b)	**(213,749,182.51)**	**1,590,640,914.96**
Add: Cash at beginning of year		2,167,953,309.07	577,312,394.11
Cash at end of year	5(40)(c)	**1,954,204,126.56**	**2,167,953,309.07**

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

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

Shenzhen Expressway Company Limited

Cash Flow Statement
For the year ended 31 December 2012
(All amounts in RMB unless otherwise stated)

	Note	2012	2011
Cash flows from operating activities			
Cash received from rendering services		1,144,546,093.66	1,066,113,470.75
Cash received relating to other operating activities		13,523,167.92	310,285,557.39
Sub-total of cash inflows		**1,158,069,261.58**	**1,376,399,028.14**
Cash paid for goods and services		(96,489,863.48)	(97,252,265.47)
Cash paid to and on behalf of employees		(124,256,590.99)	(122,575,764.96)
Payments of taxes and surcharges		(231,851,356.82)	(119,866,054.75)
Cash paid relating to other operating activities		(245,139,141.86)	(569,637,608.36)
Sub-total of cash outflows		**(697,736,953.15)**	**(909,331,693.54)**
Net cash flows from operating activities	13(15)(a)	**460,332,308.43**	**467,067,334.60**
Cash flows from investing activities			
Cash received from disposal of investments		148,730,379.04	378,476,238.13
Cash received from returns on investments		372,856,310.41	380,204,607.91
Net cash received from disposal of fixed assets		25,850.00	6,420.00
Net cash received from disposal of subsidiaries and other business units		5,350,000.00	-
Cash received relating to other investing activities		287,333,799.89	125,677,882.61
Sub-total of cash inflows		**814,296,339.34**	**884,365,148.65**
Cash paid to acquire fixed assets and intangible assets		(113,906,704.21)	(298,650,700.26)
Net cash paid to acquire subsidiaries		(190,000,000.00)	(346,388,326.38)
Cash paid relating to other investing activities		(145,000,000.00)	(4,302,147.16)
Sub-total of cash outflows		**(448,906,704.21)**	**(649,341,173.80)**
Net cash flows from investing activities		**365,389,635.13**	**235,023,974.85**
Cash flows from financing activities			
Cash received from borrowings		205,000,000.00	949,600,000.00
Cash received from issuance of bonds		798,400,000.00	1,481,500,000.00
Cash received relating to other financing activities		-	275,000,000.00
Sub-total of cash inflows		**1,003,400,000.00**	**2,706,100,000.00**
Cash repayments of borrowings		(1,464,464,000.00)	(1,709,834,749.80)
Cash payments for interest expenses and distribution of dividends or profits		(601,524,098.97)	(551,193,265.58)
Cash payments relating to other financing activities		(8,106,041.96)	(6,982,735.79)
Sub-total of cash outflows		**(2,074,094,140.93)**	**(2,268,010,751.17)**
Net cash flows from financing activities		**(1,070,694,140.93)**	**438,089,248.83**
Effect of foreign exchange rate changes on cash		**(483,067.22)**	**160,783.26**
Net (decrease)/increase in cash	13(15)(b)	**(245,455,264.59)**	**1,140,341,341.54**
Add: Cash at beginning of year		1,412,201,859.12	271,860,517.58
Cash at end of year	13(15)(c)	**1,166,746,594.53**	**1,412,201,859.12**

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

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

Shenzhen Expressway Company Limited

Consolidated Statement of Changes in Owners' Equity
For the year ended 31 December 2012

(All amounts in RMB unless otherwise stated)

Item	Attributable to owners of the Company				Minority interests	Total owners' equity
	Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Opening balance on 1 January 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**
Opening balance on 1 January 2012	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
Movements for the year ended 31 December 2012						
Net profit	-	-	-	684,526,701.99	42,056,287.67	726,582,989.66
Other comprehensive income	-	(3,534,410.04)	-	-		(3,534,410.04)
Capital contribution	-	-	-	-	142,735,990.13	142,735,990.13
Profit distribution						
Appropriation to surplus reserves	-	-	69,370,067.39	(69,370,067.39)	-	-
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(141,333,040.61)	(490,256,292.77)
Ending balance on 31 December 2012	**2,180,770,326.00**	**3,181,011,501.38**	**1,604,265,015.87**	**2,570,439,249.07**	**1,336,429,874.84**	**10,872,915,967.16**

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

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

Shenzhen Expressway Company Limited

Statement of Changes in Owners' Equity
For the year ended 31 December 2012
(All amounts in RMB unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
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 December2011					
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**
Opening balance on 1 January 2012	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
Movements for the year ended 31 December 2012					
Net profit	-	-	-	693,700,673.85	693,700,673.85
Profit distribution					
Appropriation to surplus reserves	-	-	69,370,067.39	(69,370,067.39)	-
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(348,923,252.16)
Ending balance on 31 December 2012	**2,180,770,326.00**	**2,315,587,934.74**	**1,604,265,015.87**	**2,326,804,741.45**	**8,427,428,018.06**

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

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

Shenzhen Expressway Company Limited

Notes to financial statements
For the year ended 31 December 2012
(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 22 March 2013.

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.

As at 31 December 2012, the Group reported net current liabilities of RMB1,184,623,978.30. The directors of the Company made an assessment and concluded that there is no going concern issue based on the facts that the Group has been generating positive operating cash flows, and the Group had unutilised banking facilities of approximately RMB5.899 billion as at 31 December 2012 with no restriction on the usage imposed by the related banks, which can meet its obligations and capital commitments. Therefore, the financial statements have been prepared by the directors of the Company on a going concern basis.

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

The financial statements of the Company for the year ended 31 December 2012 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 2012 and their financial performance, cash flows for the year then ended.

(3) Accounting year

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

(4) Functional currency

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

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

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

(b) Business combinations involving enterprises not under common control

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

(6) Preparation of consolidated financial statements

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

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

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

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

(7) Cash and cash equivalents

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

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

(8) Foreign currency translation

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

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

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

Receivables

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

(ii) Recognition and measurement of financial assets

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

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

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

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

(9) Financial instruments (continued)

(iii) Impairment of financial assets

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

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

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

(i) Classification of financial liabilities

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

(ii) Recognition and measurement

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

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

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

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

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

(9) Financial instruments (continued)

(c) Determination of fair value of financial instruments

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

(d) Cash flow hedge

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

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

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

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

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

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

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

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

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from rendering of services are initially recognised at fair value of the contractual payments from 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 made.

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 determined 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 are as follows:

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

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

(10) Receivables (continued)

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

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

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

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

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

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

(11) Inventories

(a) Classification

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

(b) Costing of inventories

Cost is determined using the weighted average method.

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

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

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables

Low value consumables are expensed when issued.

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

(12) Long-term equity investments

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

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

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

(a) Determination of investment cost

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

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

(b) Subsequent measurement

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

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

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

(12) Long-term equity investments (continued)

(b) Subsequent measurement (continued)

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

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

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

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

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

(d) Impairment of long-term equity investments

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

(13) Investment properties

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

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

(13) Investment properties (continued)

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

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

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

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

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

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

(b) Depreciation methods of fixed assets

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

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

(14) Fixed assets (continued)

(b) Depreciation methods of fixed assets (continued)

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

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

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

(c) Impairment of fixed assets

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

(d) Disposal of fixed assets

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

(15) Construction in progress

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

(16) Borrowing costs

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

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

(16) Borrowing costs (continued)

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

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

(17) Intangible assets

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

(a) Concession intangible assets

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

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

When toll roads are ready for their intended use, amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis ('unit amortisation cost'), 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 performs an internal assessment 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 unit amortisation cost according to the revised total projected traffic volume, to ensure that the related concession intangible assets would be fully amortised in the operation periods.

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

(17) Intangible assets (continued)

(a) Concession intangible assets (continued)

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

Item	Operating period	Unit amortisation cost (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	3.68*
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	33.04**
National Highway No. 107 (Qinglian Section)	September 1995 to September 2028	35.36

* Concession intangible assets of Nanguang Expressway increased as a result of completion and usage of its interchange ramp linking with Nanping Freeway (Phase II) Project (‘Nanping (Phase II) Project’) was completed and put into operation on 1 August 2012. The unit amortisation cost of Nanguang Expressway was re-set based on the traffic volume projected throughout its remaining operation period.

** Concession intangible assets of Qinglian Expressway increased as a result of completion and usage of its expansion project on 30 September 2012. The unit amortisation cost of Qinglian Expressway was re-set based on the traffic volume projected throughout its remaining operation period.

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

(b) Other intangible assets

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

(c) Periodical review of useful life and amortisation method

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

(d) Impairment of intangible assets

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

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

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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

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

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

(20) Employee benefits

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

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

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

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.

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

(21) Dividends distribution

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

(22) Provisions

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

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

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

(23) Convertible bonds

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

(24) Revenue recognition

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

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

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

(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.

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

(24) Revenue recognition (continued)

(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 conducts the construction work on its own. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the settlement date as a percentage of total estimated costs for each contract. No construction services income would be recognised if the Group sub-contracts the work out to other parties.

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

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

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

(25) Government grants

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

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

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

(26) Deferred tax assets and deferred tax liabilities

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

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

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

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

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

Deferred tax assets and liabilities are offset when:

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

(27) Segment information

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

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

(28) Critical accounting estimates and judgments

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

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

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

(28) Critical accounting estimates and judgments (continued)

(a) Amortisation of concession intangible assets

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

The directors perform 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 between projected and actual traffic volume. 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.

(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, the operating results of three expressways, Nanguan Expressway, Yanba Expressway and Qinglian Expressway, which were still at their early stage of operation period, were lower than expected. The Company assessed and considered that since the recoverable amount of concession intangible assets exceeded their respective carrying value, there was no need to make any impairment provision. The assessment relied on the projected traffic volume of the related expressways. Should there be a material difference between the projected traffic volume and the actual results, a change of accounting estimate will be 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 which 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.

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	Revenue from other non-expressway toll road business and advertising income generated from 1 January 2012 to 31 October 2012	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	Amount of business tax paid	2%
Construction fee for country culture development (ii)	Amount of revenue	3%
Value added tax ("VAT") (iii)	Taxable revenue	6%

3 Taxation

(i) CIT

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

	Applicable rate
The Company	25%
Shenzhen Expressway Advertising Company Limited ('Advertising Company')	25%
Meiguan Company	25%
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ('Airport-Heao Eastern Company')	25%
Guangdong Qinglian Highway Development Company Limited ('Qinglian Company')	12.5%
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')	25%
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 25% in 2012 (2011: 24%).

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 2012 is 12.5% (2011: 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.

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

(iii) According to Caishui (2012) No.71, 'Notice on the Implementation of the VAT Pilot Reform in Beijing and other 7 Regions of China' issued by the Ministry of Finance and the State Administration of Taxation, the Company is obligated to pay VAT which is calculated at 6% on its advertising revenue generated from 1 November 2012.

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	Bonds issued	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 and indirect holding	Shenzhen City, Guangdong Province, PRC	Investment	400,000,000	-	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	400,000,000.00	-	100%	100%	Yes	-	Not applicable
Guishen Company	350,000,000.00	-	70%	70%	Yes	149,845,697.11	Not applicable

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	Bonds issued	Scope of business	Nature	Legal representative	Code of organisation
JEL Company	Indirect holding*	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

* Mei Wah Company, a subsidiary of the Company, holds 55% equity interests of JEL Company. 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	593,979,051.32	-	55%	55%	Yes	453,764,527.05	-
Magerk Company	231,883,200.00	-	55%	55%	Yes	-	Not applicable

4 Business combinations and the consolidated financial statements (continued)

(1) Background of subsidiaries (continued)

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

	Type	Place of registration	Nature of business and principal activities	Registered capital	Bonds issued	Scope of business	Nature	Legal representative	Code of organisation
Qinglian Company	Direct and indirect holding	Qingyuan City, Guangdong Province, PRC	Operation and management of highways	RMB3,105,959,997.64	-	Development, operation and management of Qinglian Expressway and National Highway No.107 (Qinglian Section)	Limited liability company	Wu Ya De	61806320-6
Advertising Company	Direct and indirect holding	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000	-	Design, prepare and agent advertising and the related consultancy	Limited liability company	Luo Cheng Bao	19224838-4
Meiguan Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB332,400,000	-	Toll management of the expressway from Meilin to Guanlan	Limited liability company	Zhou Qing Ming	61887636-2
Mei Wah Company	Direct holding	Hong Kong	Investment holding	HKD795,381,300	-	Investment holding	Foreign enterprise	Not applicable	Not applicable
Maxprofit Company	Indirect holding	British Virgin Islands	Investment holding	USD82,780,081	-	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	2,799,690,825.95	-	76.37%	76.37%	Yes	732,819,650.68	32,920,426.48
Advertising Company	3,500,000.01	-	100%	100%	Yes	-	Not applicable
Meiguan Company	641,254,743.00	-	100%	100%	Yes	-	Not applicable
Mei Wah Company	831,769,303.26	-	100%	100%	Yes	-	Not applicable
Maxprofit Company	933,069,337.68	-	100%	100%	Yes	-	Not applicable
Airport-Heao Eastern Company	1,082,946,738.33	-	100%	100%	Yes	-	Not applicable

5 Notes to the consolidated financial statements

(1) Cash at bank and on hand

	31 December 2012			31 December 2011		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Cash on hand						
RMB			10,528,775.94			3,845,413.16
USD	11,321.00	6.2855	71,158.15	11,321.00	6.3009	71,332.49
Other foreign currencies			98,603.72			20,456.85
Subtotal			10,698,537.81			3,937,202.50
Bank deposits						
RMB			1,941,757,315.20			2,138,830,722.01
HKD	4,410,851.37	0.8109	3,576,759.37	40,557,566.03	0.8107	32,880,018.78
USD	3,721.91	6.2855	23,394.06	3,528.56	6.3009	22,233.10
Subtotal			1,945,357,468.63			2,171,732,973.89
Total			1,956,056,006.44			2,175,670,176.39

The Company is engaged to manage highway construction projects. As at 31 December 2012, project funds retained for construction management were RMB1,851,879.88 (31 December 2011: RMB7,716,867.32). The above project funds retained for construction management were disclosed as restricted bank balances in cash flow statement (Note 5(40)(c)).

(2) Accounts receivable

	31 December 2012	31 December 2011
Accounts receivable	385,846,438.72	315,778,948.31
Less: provision for bad debts	(33,500.00)	(33,500.00)
	385,812,938.72	315,745,448.31

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

	31 December 2012	31 December 2011
Within 1 year	307,435,317.87	129,219,411.84
1 to 2 years	45,277,003.37	61,327,067.98
2 to 3 years	-	12,485.00
Over 3 years	33,134,117.48	125,219,983.49
	385,846,438.72	315,778,948.31

5 Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

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

	31 December 2012				31 December 2011			
	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	306,436,293.86	79.42%	-	-	279,139,841.26	88.40%	-	-
-Group 2	79,410,144.86	20.58%	33,500.00	0.04%	36,639,107.05	11.60%	33,500.00	0.09%
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	385,846,438.72	100.00%	33,500.00	0.01%	315,778,948.31	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 2012				31 December 2011			
	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	79,376,644.86	99.96%	-	-	36,593,122.05	99.88%	-	-
1 to 2 years	-	-	-	-	-	-	-	-
2 to 3 years	-	-	-	-	12,485.00	0.03%	-	-
Over 3 years	33,500.00	0.04%	33,500.00	100.00%	33,500.00	0.09%	33,500.00	100.00%
	79,410,144.86	100.00%	33,500.00	0.04%	36,639,107.05	100.00%	33,500.00	0.09%

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

	Relationship with the Group	31 December 2012			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	Controlled by the ultimate holding company, together with the Company	78,741,667.61	20.41%	-	42,880,964.26	13.58%	-
Shenzhen Baotong Highway Construction and Development Company Limited ('Baotong Company')	Controlled by the parent company, together with the Company	2,295,854.23	0.60%	-	3,231,848.78	1.02%	-
		81,037,521.84	21.01%	-	46,112,813.04	14.60%	-

(e) As at 31 December 2012 and 31 December 2011, there was no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

5 Notes to the consolidated financial statements (continued)

(2) Accounts receivable (continued)

(f) As at 31 December 2012, 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 provided to Nanping Freeway (Phase I) Project ('Nanping (Phase I) Project')	Independent third party	109,829,378.84	1 to 2 years	28.46%
Due from Shenzhen Transportation Bureau in relation to the project management services provided to Nanping (Phase II) Project	Independent third party	80,875,356.55	Within 1 year	20.96%
Due from Coastal Company in relation to the project management services provided to Guangshen Coastal Expressway (Shenzhen Section) (the 'Coastal Project')	Controlled by the ultimate holding company, together with the Company	78,741,667.61	1 to 2 years	20.41%
Revenue from revenues through unitoll cards	Independent third party	45,698,223.86	Within 1 year	11.84%
Due from Highway Bureau of Longgang Distinct in relation to the project management services provided to Hengping Project	Independent third party	33,407,071.35	1 to 4 years	8.66%
		348,551,698.21		90.33%

(g) As at 31 December 2012 and 31 December 2011, all accounts receivable were denominated in RMB.

(3) Other receivables

	31 December 2012	31 December 2011
Advances	26,183,786.84	175,754,609.79
Others	11,312,960.53	18,995,254.28
	37,496,747.37	194,749,864.07
Less: provision for bad debts	-	-
	37,496,747.37	194,749,864.07

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

	31 December 2012	31 December 2011
Within 1 year	29,929,859.11	193,472,935.11
1 to 2 years	6,398,220.25	1,023,144.19
2 to 3 years	1,168,668.01	253,784.77
	37,496,747.37	194,749,864.07

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

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

	31 December 2012				31 December 2011			
	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	26,183,786.84	69.83%	-	-	175,679,961.81	90.21%	-	-
-Group 2	11,312,960.53	30.17%	-	-	19,069,902.26	9.79%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	37,496,747.37	100.00%	-	-	194,749,864.07	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 2012				31 December 2011			
	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	9,836,465.60	86.95%	-	-	18,446,532.07	96.73%	-	-
1 to 2 years	1,330,357.89	11.76%	-	-	369,585.42	1.94%	-	-
2 to 3 years	146,137.04	1.29%	-	-	253,784.77	1.33%	-	-
	11,312,960.53	100.00%	-	-	19,069,902.26	100.00%	-	-

(d) As at 31 December 2012 and 31 December 2011, there were neither other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company, nor other receivables from related parties.

5 Notes to the consolidated financial statements (continued)

(3) Other receivables (continued)

(e) As at 31 December 2012, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Advance due from Guizhou Longli County Government in relation to the joint land development	Independent third party	19,443,119.84	Within 1 year	51.85%
Advance due from Shenzhen Government in relation to the migration of Meilin toll station	Independent third party	6,740,667.00	1 to 2 years	17.98%
Advances of charges for water and electricity paid on behalf of Nanguang Checkpoint Station	Independent third party	1,187,778.47	1 to 3 years	3.17%
Advances of charges for electricity paid on behalf of China Mobile Limited Guangdong Shenzhen Branch	Independent third party	260,980.00	Within 1 year	0.70%
Deposit due from Dongguan Development Holdings Company Limited in relation to advertising boards	Independent third party	50,000.00	1 to 3 years	0.13%
		27,682,545.31		73.83%

(f) As at 31 December 2012 and 31 December 2011, all other receivables were denominated in RMB.

(4) Advances to suppliers

	31 December 2012	31 December 2011
Advances for acquisition of land use right (a)	309,010,800.00	-
Others	11,324,336.60	15,930,561.01
	320,335,136.60	15,930,561.01

(a) The amount represents prepayment made by Guishen Company, a subsidiary of the Company as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 883 mu. As at 31 December 2012, the application for the land use right certificate was still in progress due to the delivery conditions promissory in the acquisition contract had not been met. The Company plans to transfer the land use right in open market or develop the land on its own or through cooperation with others.

(b) The ageing of advances to suppliers is analysed below:

	31 December 2012		31 December 2011	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	319,254,629.93	99.66%	15,364,061.01	96.44%
1 to 2 years	695,506.67	0.22%	566,500.00	3.56%
2 to 3 years	385,000.00	0.12%	-	-
	320,335,136.60	100.00%	15,930,561.01	100.00%

As at 31 December 2012, advances to suppliers over 1 year are mainly relating to designing and maintenance expenses for traffic equipment which were not fully settled since the contracts have not been completed.

5 Notes to the consolidated financial statements (continued)

(4) Advances to suppliers (continued)

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

	Relationship with the Group	31 December 2012			31 December 2011		
		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	3,127,180.20	0.98%	-	949,523.20	5.96%	-

(d) As at 31 December 2012 and 31 December 2011, there were no advances to shareholders holding more than 5% (including 5%) of the voting rights of the Company.

(e) As at 31 December 2012, the five largest advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Advances to Guizhou Longli County Government in relation to acquisition of land use right	Independent third party	309,010,800.00	Within 1 year	96.47%
Advances to Consulting Company in relation to detecting expenses and supervision expenses	An associate of the Company	3,127,180.20	Within 1 year	0.98%
Advances to Shenzhen Dongpeng Printing Plant in relation to printing expenses	Independent third party	2,475,200.00	Within 1 year	0.77%
Advances to Shenzhen Ridonghong Advertising Company Limited in relation to placement of advertisement	Independent third party	611,474.59	Within 1 year	0.19%
Advances to the designing institute of Shenzhen University in relation to designing expense	Independent third party	550,000.00	1 to 2 years	0.17%
		315,774,654.79		98.58%

(f) As at 31 December 2012 and 31 December 2011, all advances to suppliers were denominated in RMB.

(5) Inventories

	31 December 2012	31 December 2011
Toll tickets	2,086,963.86	2,748,416.26
Low value consumables	402,531.60	402,531.60
Maintenance and repair parts	490,526.80	492,326.80
	2,980,022.26	3,643,274.66

As at 31 December 2012, no provision for declines in the value of inventories has been made by the Group (31 December 2011: nil).

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments

	31 December 2012	31 December 2011
Joint ventures, unlisted (a)	174,639,254.25	183,131,418.94
Associates, unlisted (b)	1,448,933,932.74	1,402,813,466.57
Other long-term equity investment, unlisted (c)	30,170,000.00	30,170,000.00
	1,653,743,186.99	1,616,114,885.51

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

As at 31 December 2012, no provision for impairment of long-term equity investments was required (31 December 2011: nil).

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 2011	Current year movement: Share of net profit	Current year movement: Cash dividend declared	Current year movement: Investment cost recovered(i)	Current year movement: Disposal(ii)	31 December 2012	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	334,800,130.01	178,231,418.94	2,943,895.62	-	(6,536,060.31)	-	174,639,254.25	51%	(iii)	(iii)	-	-
Guizhou Guilong Urban Economic Region Investment and Development Company Limited ('Guilong Company')	Equity method	-	4,900,000.00	-	-	-	(4,900,000.00)	-	49%	(iii)	(iii)	-	-
			183,131,418.94	2,943,895.62	-	(6,536,060.31)	(4,900,000.00)	174,639,254.25				-	-

(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 in the joint venture agreements. The amounts are deemed as recovery of investment cost of the Company.

(ii) In 2012, the Company disposed of its 49% equity interest in Guilong Company to Guizhou Longli County State-owned Capital Operation Company Limited, another equity holder of Guilong Company with the consideration of RMB5,350,000.00 and generated investment income amounting to RMB450,000.00 (Note 5(34)).

(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 investing parties. As a result, these joint ventures are deemed as the Company's joint ventures and are accounted for using 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 2011	Current year movement: Share of net profit/(loss)	Current year movement: Cash dividend declared	Current year movement: Investment cost recovered	31 December 2012	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	193,393,584.89	57,757,586.90	(7,585,176.61)	-	243,565,995.18	40%	40%	Not applicable	-	-
Consulting Company	Equity method	2,134,142.45	13,153,802.16	3,021,626.60	-	-	16,175,428.76	24%	24%	Not applicable	-	-
Shenzhen Huayu Expressway Investment Company Limited ('Huayu Company')	Equity method	59,851,927.88	56,439,515.26	(5,090,768.05)	-	-	51,348,747.21	40%	40%	Not applicable	-	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	Equity method	291,930,000.00	272,398,676.37	694,533.03	-	-	273,093,209.40	25%	25%	Not applicable	-	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	Equity method	263,044,681.47	247,055,319.70	6,083,983.89	-	-	253,139,303.59	25%	25%	Not applicable	-	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	Equity method	249,340,567.72	237,342,739.06	39,495,941.77	(30,000,000.00)	-	246,838,680.83	25%	25%	Not applicable	-	-
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	Equity method	250,000,000.00	217,288,219.77	3,022,902.38	-	-	220,311,122.15	25%	25%	Not applicable	-	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	Equity method	147,671,314.40	165,741,609.36	20,719,836.26	(20,719,836.26)	(21,280,163.74)	144,461,445.62	30%	30%	Not applicable	-	-
			1,402,813,466.57	125,705,642.78	(58,305,012.87)	(21,280,163.74)	1,448,933,932.74				-	-

The Company's 40% equity investment in Qinglong Company is pledged as security for long-term borrowings amounting to RMB565,000,000.00 (Note 5(22)(a)).

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(c) Other long-term equity investment

	Accounting method	Ending balance of investment cost	31 December 2011	Capital injection in current year	31 December 2012	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	30,170,000.00	-	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 will increase from RMB10,000,000 to RMB200,000,000. As at 31 December 2012, 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	Total assets (31 December 2012)	Total liabilities (31 December 2012)	Net assets (31 December 2012)	Revenue (2012)	Net profit/(loss) (2012)
Joint ventures —							
Shenchang Company	51%	51%	356,507,800.88	14,077,890.59	342,429,910.29	46,886,537.39	5,772,344.35
Associates —							
Qinglong Company	40%	40%	2,102,824,961.30	1,498,000,000.00	604,824,961.30	445,744,223.76	144,393,967.25
Consulting Company	24%	24%	130,597,701.20	63,200,081.37	67,397,619.83	183,968,753.65	12,590,110.83
Huayu Company	40%	40%	494,759,012.30	366,387,144.27	128,371,868.03	57,853,028.16	(12,726,920.13)
Jiangzhong Company	25%	25%	2,526,081,301.02	1,554,248,463.42	971,832,837.60	366,153,323.74	2,778,132.12
Nanjing Third Bridge Company	25%	25%	3,318,310,832.56	2,305,753,618.20	1,012,557,214.36	335,837,500.00	24,335,935.56
Yangmao Company	25%	25%	1,680,256,737.17	992,974,699.30	687,282,037.87	525,798,673.60	157,983,767.08
GZ W2 Company	25%	25%	2,607,216,678.78	1,725,972,190.18	881,244,488.60	264,817,734.97	12,091,609.52
Guangyun Company	30%	30%	1,231,996,374.44	750,458,222.37	481,538,152.07	252,445,309.74	69,066,120.87
			14,092,043,598.77	9,256,994,419.11	4,835,049,179.66	2,432,618,547.62	410,512,723.10

5 Notes to the consolidated financial statements (continued)

(7) **Investment properties**

	Car parking spaces
Cost	
31 December 2011 and 31 December 2012	18,180,000.00
Accumulated amortisation	
31 December 2011	(1,775,075.00)
Current year additions	(575,700.00)
31 December 2012	(2,350,775.00)
Net book value	
31 December 2012	15,829,225.00
31 December 2011	16,404,925.00

In 2012, the investment properties generated lease income of RMB2,311,750.00 (2011: RMB2,114,257.00) and incurred direct expenditures of RMB1,126,836.93 (2011: RMB1,247,253.63).

As at 31 December 2012, no provision for impairment loss of investment properties was required (31 December 2011: nil).

5 Notes to the consolidated financial statements (continued)

(8) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other	Total
Cost					
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
Transfers from construction in progress in current year	1,437,452.00	41,460,058.81	-	-	42,897,510.81
Other additions in current year	412,496.00	16,616,009.52	1,118,300.00	3,102,392.82	21,249,198.34
Adjustment to cost due to final settlement in current year	(29,704,033.59)	(20,046,980.21)	-	-	(49,751,013.80)
Current year reductions	-	(8,152,103.52)	(1,255,598.90)	(583,110.00)	(9,990,812.42)
31 December 2012	584,147,250.31	1,090,052,367.86	29,796,544.18	56,655,423.90	1,760,651,586.25
Accumulated depreciation					
31 December 2011	117,610,022.81	372,948,931.90	16,872,598.96	33,468,082.20	540,899,635.87
Current year additions	21,934,663.22	94,964,223.71	4,026,701.52	7,065,477.01	127,991,065.46
Current year reductions	-	(4,616,653.51)	(1,149,149.47)	(548,229.52)	(6,314,032.50)
31 December 2012	139,544,686.03	463,296,502.10	19,750,151.01	39,985,329.69	662,576,668.83
Net book value					
31 December 2012	444,602,564.28	626,755,865.76	10,046,393.17	16,670,094.21	1,098,074,917.42
31 December 2011	494,391,313.09	687,226,451.36	13,061,244.12	20,668,058.88	1,215,347,067.45

As at 31 December 2012, the Group has buildings with net book value of RMB309,660,176.98 (cost: RMB440,743,982.65) lacking certificates of ownership (31 December 2011: net book value of RMB354,993,137.23, cost of RMB463,211,448.83). 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 Group has no intention to acquire the related property ownership certificates.

In 2012, depreciation expenses amounting to RMB122,012,181.03 (2011: RMB105,246,798.46) and RMB5,978,884.43 (2011: RMB6,954,870.79) had been charged into costs of services and general and administrative expenses, respectively. As at 31 December 2012, no provision for impairment of fixed assets was required (31 December 2011: nil).

5 Notes to the consolidated financial statements (continued)

(9) Construction in progress

Name	Budget amount	31 December 2011	Current year additions	Transfer to fixed assets	31 December 2012	Source of funds	% contribution in budget of current year	Progress of construction
Expansion project of Qinglian Expressway's toll road station	33 million	24,764,993.79	7,900,017.71	(32,665,011.50)	-	Self-owned funds	24.18%	Completed
Billboard and light box projects	10 million	1,573,103.83	987,578.17	(1,437,452.00)	1,123,230.00	Self-owned funds	9.88%	In progress
Project of central isolation area of Wuhuang Expressway	13 million	-	9,746,700.00	-	9,746,700.00	Self-owned funds	73.00%	In progress
Others	*	2,011,000.17	12,271,501.58	(8,795,047.31)	5,487,454.44	Self-owned funds	*	In progress
Total		28,349,097.79	30,905,797.46	(42,897,510.81)	16,357,384.44			

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

As at 31 December 2012, no provision for impairment of construction in progress was required (31 December 2011: nil).

5 Notes to the consolidated financial statements (continued)

(10) Intangible assets

	Cost	31 December 2011	Current year addtions	Current year amortisation	31 December 2012	Accumulated amortisation
Concession intangible assets	21,845,674,410.31	18,909,589,514.43	330,876,569.01	(658,801,864.22)	18,581,664,219.22	(3,264,010,191.09)
- Qinglian Expressway *	9,391,099,517.68	8,895,414,288.59	50,911,132.03	(162,027,824.72)	8,784,297,595.90	(606,801,921.78)
- Nanguang Expressway*	2,763,602,966.26	2,566,366,997.68	88,212,166.26	(46,903,779.31)	2,607,675,384.63	(155,927,581.63)
- Shenzhen Airport-Heao Expressway (Eastern Section)	3,094,975,262.55	2,739,472,123.77	-	(165,221,083.00)	2,574,251,040.77	(520,724,221.78)
- Yanba Expressway	1,321,937,644.13	1,189,507,053.82	-	(33,617,084.12)	1,155,889,969.70	(166,047,674.43)
- Wuhuang Expressway	1,523,192,561.64	1,051,524,939.65	-	(99,768,830.95)	951,756,108.70	(571,436,452.94)
- Meiguan Expressway	1,434,313,194.28	847,221,615.63	189,212,395.79	(51,352,956.51)	985,081,054.91	(449,232,139.37)
- Yanpai Expressway	910,532,308.18	746,777,791.61	-	(43,142,075.40)	703,635,716.21	(206,896,591.97)
- Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	556,160,125.81	-	(41,906,705.89)	514,253,419.92	(329,415,132.31)
- National Highway No. 107 (Qinglian Section)*	512,997,570.61	270,330,620.05	-	(14,861,524.32)	255,469,095.73	(257,528,474.88)
- Outer Ring Expressway	49,354,832.75	46,813,957.82	2,540,874.93	-	49,354,832.75	-
Office software	2,705,220.00	1,659,339.55	850,400.00	(456,908.18)	2,052,831.37	(652,388.63)
Billboard land use rights	102,529,905.69	51,335,866.95	26,504,766.97	(25,310,642.25)	52,529,991.67	(49,999,914.02)
Total	21,950,909,536.00	18,962,584,720.93	358,231,735.98	(684,569,414.65)	18,636,247,042.26	(3,314,662,493.74)

* 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 2012, the amortisation of intangible assets amounting to RMB684,569,414.65 was charged to current year's income statement (2011: RMB598,787,232.85).

5 Notes to the consolidated financial statements (continued)

(10) Intangible assets (continued)

As at 31 December 2012, 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	9,889,317.21	9,330,000.00	6.25%

(11) Deferred tax assets and deferred tax liabilities

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

	31 December 2012		31 December 2011	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provisions for maintenance and resurfacing of the toll roads (i)	117,921,437.04	471,685,748.16	170,059,433.96	680,237,735.84
Compensation provided by concession grantors (ii)	23,091,745.34	91,552,336.50	23,759,742.38	94,224,324.67
Deductible tax losses (iii)	82,783,574.01	331,134,296.03	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	1,685,177.48	6,740,709.92	1,858,442.18	7,433,768.72
	226,957,568.17	907,820,519.25	241,154,135.35	964,606,787.99

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

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

(iii) The Group estimated that Qinglian Company could generate profit against which the deductible tax losses incurred in current year and prior years can be utilised in the future. Accordingly, a deferred tax asset on deductible tax losses was recognised.

5 Notes to the consolidated financial statements (continued)

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

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

	31 December 2012		31 December 2011	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
The amortisation of concession intangible assets (i)	59,034,129.07	236,136,516.28	62,305,460.74	249,221,842.96
Business combinations involving enterprises not under common control (ii)				
- Qinglian Company	349,950,786.77	1,413,022,374.69	353,231,952.66	1,483,893,987.45
- Airport-Heao Eastern Company	450,184,182.74	1,800,736,731.00	479,075,606.97	1,916,302,427.89
- JEL Company	178,122,107.63	712,977,020.92	196,931,202.36	788,213,399.88
- Meiguan Company	33,353,410.56	133,413,642.24	-	-
Convertible bonds (iii)	12,357,993.49	49,431,973.96	27,708,993.49	110,835,973.96
	1,083,002,610.26	4,345,718,259.09	1,119,253,216.22	4,548,467,632.14

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

(ii) As the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, JEL Company and Meiguan Company and converted them as subsidiaries of the Company, deferred tax liabilities were recognised on temporary differences between the fair values and book values of respective identifiable assets and liabilities of those companies.

(iii) 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.

5 Notes to the consolidated financial statements (continued)

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

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

	31 December 2012	31 December 2011
Deductible tax losses	218,840,833.45	199,177,037.70

(d) The aforesaid unrecognised deductible tax losses will be due in the following years:

	31 December 2012	31 December 2011
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	15,668,426.07
Year 2017	19,663,795.75	-
	218,840,833.45	199,177,037.70

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

	31 December 2012	31 December 2011
Deferred tax assets	(147,719,104.74)	(181,004,937.40)
Deferred tax liabilities	147,719,104.74	181,004,937.40

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

	31 December 2012		31 December 2011	
	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	79,238,463.43	316,944,100.31	60,149,197.95	240,587,038.39
Deferred tax liabilities	935,283,505.52	3,754,841,840.15	938,248,278.82	3,365,537,866.38

5 Notes to the consolidated financial statements (continued)

(12) Short-term borrowings

	31 December 2012	31 December 2011
Unsecured	1,000,000.00	-
Pledged	-	137,819,000.00
	1,000,000.00	137,819,000.00

(a) As at 31 December 2012, there were no short-term pledged borrowings (31 December 2011: Short-term pledged borrowing granted by Industrial and Commercial Bank of China (Asia) Corporation amounting to HKD170,000,000.00 (equivalent to RMB137,819,000.00) was secured by 55% equity interest of JEL Company held by Mei Wah Company).

(b) As at 31 December 2012, there were no short-term borrowings past due but have not been repaid (31 December 2011: nil).

(c) As at 31 December 2012, the weighted average interest rate of short-term borrowings was 4.49% per annum (31 December 2011: 3.66%).

(13) Accounts payable

	31 December 2012	31 December 2011
Payables for construction projects and quality deposits	661,807,999.88	906,979,801.44

As at 31 December 2012, accounts payable with ageing over 1 year amounting to RMB563,402,869.75 (31 December 2011: RMB714,019,173.08), mainly represent payables in relation to construction projects, quality deposits and purchase of materials. The payables have not been settled since the final audits of projects are not completed. As at the date on which the financial statements are authorised for issue, the aforesaid accounts payable have been repaid with the amount of RMB127,846,227.76.

Accounts payable to related parties are analysed as follows:

	31 December 2012	31 December 2011
Shenzhen Expressway Industrial Company Limited (‘Expressway Company’)	5,286.35	72,954.35

As at 31 December 2012 and 31 December 2011, there were no accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the Company.

As at 31 December 2012 and 31 December 2011, all accounts payable were denominated in RMB.

5 Notes to the consolidated financial statements (continued)

(14) Advances from customers

	31 December 2012	31 December 2011
Advances from advertising customers	18,593,485.00	23,128,879.00
Others	750,000.00	958,001.00
	19,343,485.00	24,086,880.00

As at 31 December 2012 and 31 December 2011, the aging of advances from customers was within one year.

As at 31 December 2012 and 31 December 2011, 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 2012 and 31 December 2011, all advances from customers were denominated in RMB.

(15) Employee benefits payable

	31 December 2011	Current year additions	Current year reductions	31 December 2012
Wages and salaries, bonuses, allowances and subsidies	69,039,677.38	181,865,665.52	(172,458,096.44)	78,447,246.46
Staff welfare	-	25,589,333.62	(25,589,333.62)	-
Social security contributions	124,585.87	24,542,516.08	(24,503,570.00)	163,531.95
Including: Medical insurance	31,736.22	6,251,806.00	(6,241,885.12)	41,657.10
Basic pensions	75,756.50	14,923,483.06	(14,899,801.25)	99,438.31
Unemployment insurance	8,883.70	1,750,024.70	(1,747,247.62)	11,660.78
Work injury insurance	4,092.94	806,279.60	(805,000.13)	5,372.41
Maternity insurance	4,116.51	810,922.72	(809,635.88)	5,403.35
Housing funds	119,924.10	12,541,255.57	(12,661,179.67)	-
Labor union funds and employee education funds	3,603,954.48	3,577,383.50	(3,631,759.74)	3,549,578.24
Enterprise annuities	377,047.40	5,834,914.90	(5,705,694.27)	506,268.03
Others	500,453.20	103,537.06	(318,500.00)	285,490.26
	73,765,642.43	254,054,606.25	(244,868,133.74)	82,952,114.94

As at 31 December 2012, there were no overdue employee benefits payable. About 91.91% of the balance is estimated to be paid or utilised in 2013, while the rest 8.09% of the balance is expected to be paid when related conditions are met.

5 Notes to the consolidated financial statements (continued)

(16) Taxes payable

	31 December 2012	31 December 2011
Corporate income tax payable	50,082,557.77	178,307,324.88
Business tax payable	12,774,272.43	15,837,595.13
Educational surcharge payable	458,792.92	921,119.60
City maintenance and construction tax payable	923,781.20	1,234,367.59
VAT payable	508,743.36	-
Others	2,137,331.67	2,849,435.51
	66,885,479.35	199,149,842.71

In 2012, the Group paid the corporate income tax provision amounting to RMB41,721,512.41 which was accrued in prior year in relation to local government grants.

(17) Interest payable

	31 December 2012	31 December 2011
Interest of corporate bonds	57,292,239.11	57,292,239.11
Interest of medium-term notes	27,264,849.32	24,542,136.98
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	9,366,220.26	10,769,672.91
Interest of convertible bonds	3,410,959.00	3,410,959.00
Interest of short-term borrowings	3,733,400.00	723,058.52
Interest of private placement notes	1,338,770.00	-
	102,406,437.69	96,738,066.52

(18) Dividends payable

	31 December 2012	31 December 2011
Dividends payable to Flywheel Investments Limited, one of minority shareholders	-	7,829,353.57

5 Notes to the consolidated financial statements (continued)

(19) Other payables

		31 December 2012	31 December 2011
Payable related to maintenance for roads		90,972,967.43	64,823,786.75
Guaranteed deposits for construction projects contracts or pitches	(a)	85,980,391.73	101,821,090.17
Payable related to costs of construction management services		72,482,017.72	-
Advance from associates		62,176,022.47	52,044,681.47
Project fund payables to the contractors of Guilong Road by 'Build – Transfer' mode ('Longli BT Project')		30,851,611.90	-
Mechanical and electrical costs payable		13,653,559.61	2,259,672.96
Project funds retained for construction management contracts	(b)	1,851,879.88	7,716,867.32
Others		58,186,703.66	63,970,841.95
		416,155,154.40	292,636,940.62

(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, extension of Meiguan Expressway and Nanping (Phase II) Project.

(b) 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 2012, project funds retained in the special deposit accounts amounting to RMB1,851,879.88 (31 December 2011: RMB7,716,867.32). They are classified as restricted bank balance in cash flow statements.

(c) As at 31 December 2012, other payables aged over 1 year with carrying amount of RMB135,445,074.76 (31 December 2011: RMB101,049,009.61) are analysed as follows:

	31 December 2012	31 December 2011	Reason for unsettlement	Paid as to the reporting date
Advances from associates	52,044,681.47	39,544,681.47	Cash distribution in advance	-
Guaranteed deposits for construction projects or pitches	69,661,473.56	50,954,174.38	Completion audit not completed	4,090,686.33
Payable for maintenance of roads	1,792,626.53	-	Completion audit not completed	-
Others	11,946,293.20	10,550,153.76	Completion audit not completed	3,000,000.00
	135,445,074.76	101,049,009.61		7,090,686.33

5 Notes to the consolidated financial statements (continued)

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

(d) Other payables to shareholders holding more than 5% (including 5%) of the voting rights of the Company:

	31 December 2012	31 December 2011
Shenzhen International	5,000.00	-

(e) Other payables to related parties:

	31 December 2012	31 December 2011
Nanjing Third Bridge Company	39,544,681.47	39,544,681.47
GZ W2 Company	22,500,000.00	12,500,000.00
United Electronic Company	1,336,522.58	1,388,420.97
Consulting Company	131,341.00	-
Sichuan Xin Lu Qiao Machinery Company Limited (‘Xin Lu Qiao Company’)	99,286.20	117,127.80
Baotong Company	-	1,003,160.85
	63,611,831.25	54,553,391.09

(f) As at 31 December 2012 and 31 December 2011, all other payables were denominated in RMB.

(20) **Provisions**

	31 December 2011	Current year movement	31 December 2012
Provisions for maintenance/resurfacing obligations	680,237,735.70	(208,551,987.72)	471,685,747.98
Less: current portion	(324,127,818.17)	48,334,480.56	(275,793,337.61)
	356,109,917.53	(160,217,507.16)	195,892,410.37

5 Notes to the consolidated financial statements (continued)

(21) **Current portion of non-current liabilities**

	31 December 2012	31 December 2011
Current portion of medium-term notes (Note 5(23))	699,523,703.83	-
Current portion of convertible bonds (Note 5(23))	1,446,445,174.18	-
Current portion of long-term borrowings		
Including: Unsecured (a)	18,028,900.00	336,053,600.00
Pledged (b)	99,200,000.00	151,280,000.00
	117,228,900.00	487,333,600.00
Current portion of provisions (Note 5(20))	275,793,337.61	324,127,818.17
Current portion of derivative liabilities (Note 5(24))	-	935,337.35
	2,538,991,115.62	812,396,755.52

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

					31 December 2012	
	Beginning date	Termination date	Interest rate	Currency	Amount in foreign currencies	Amount in RMB
Shenzhen Branch of China Construction Bank Corporation	2009.9.17	2013.9.17	HIBOR+150BPS	HKD	21,000,000.00	17,028,900.00
Shenzhen Branch of Agricultural Bank of China Corporation	2010.9.21	2013.9.19	5.985%	RMB		1,000,000.00
						18,028,900.00

(b) Current portion of long-term unsecured borrowings are syndicated borrowings for Qinglian Expressway projects amounting to RMB99,200,000.00 (Note 5(22)(a)).

5 Notes to the consolidated financial statements (continued)

(22) Long-term borrowings

	31 December 2012	31 December 2011
Pledged (a)	4,945,277,000.00	4,941,610,808.00
Unsecured (b)	272,462,400.00	957,019,900.00
	5,217,739,400.00	5,898,630,708.00

(a) As at 31 December 2012, details of long-term secured borrowings are set out as follows:

	Interest rate	Currency	31 December 2012 Amount in foreign currencies	31 December 2012 Amount in RMB	Pledge details
Syndicated borrowings	6.12%/6.55%	RMB		4,341,624,000.00	Operating rights of National Highway No. 107 (Qinglian Section) and Qinglian Expressway
Industrial and Commercial Bank of China Corporation	5.508%	RMB		565,000,000.00	40% equity interest of Qinglong Company held by the Company
Industrial and Commercial Bank of China (Asia) Corporation	HIBOR+260BPS	HKD	170,000,000.00	137,853,000.00	55% equity interest of JEL Company held by Mei Wah Company
				5,044,477,000.00	
Including: Current portion of syndicated borrowings				(99,200,000.00)	
				4,945,277,000.00	

(b) The unsecured long-term borrowings amounts to HKD336,000,000.00 (equivalent to RMB272,462,400.00) (31 December 2011: RMB667,600,000.00 and HKD357,000,000.00 (equivalent to RMB289,419,900.00)). The interest rate of the unsecured long-term borrowings for the year ended 31 December 2012 was 1.90% per annum (2011: ranged from 1.79% to 6.65%).

(c) The five largest long-term borrowings:

	Starting date	Ending date	Currency	Interest rate	31 December 2012 Amount in foreign currency	31 December 2012 Amount in RMB	31 December 2011 Amount in foreign currency	31 December 2011 Amount in RMB
Syndicated borrowings (part A)	2006.9.30	2024.6.20	RMB	6.12%		2,099,900,000.00		2,004,420,000.00
Syndicated borrowings (part B)	2006.9.30	2024.6.20	RMB	6.12%		1,534,000,000.00		1,534,000,000.00
Syndicated borrowings (part C)	2011.1.6	2027.1.6	RMB	6.12%/6.55%		608,524,000.00		567,943,808.00
Industrial and Commercial Bank of China Corporation	2006.3.15	2021.3.12	RMB	5.508%		565,000,000.00		665,000,000.00
China Construction Bank Corporation	2009.9.17	2014.9.17	HKD	HIBOR+150BPS	336,000,000.00	272,462,400.00	357,000,000.00	289,419,900.00
						5,079,886,400.00		5,060,783,708.00

As at 31 December 2012, the weighted average interest rate of long-term borrowings was 5.75% per annum (31 December 2011: 5.84%).

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable

	31 December 2011	Current year issuance	Current year transaction costs	Amortisation in current year	31 December 2012
Convertible bonds	1,379,704,762.18	-	-	66,740,412.00	1,446,445,174.18
Corporate bonds	2,276,421,207.11	-	-	7,058,153.64	2,283,479,360.75
Medium-term notes	699,523,747.54	-	(2,126,564.00)	2,126,520.29	699,523,703.83
Private placement notes	-	800,000,000.00	(1,800,000.00)	1,719.09	798,201,719.09
	4,355,649,716.83	800,000,000.00	(3,926,564.00)	75,926,805.02	5,227,649,957.85
Including: Current portion of medium-term notes	-				(699,523,703.83)
Current portion of convertible bonds	-				(1,446,445,174.18)
	4,355,649,716.83				3,081,681,079.84

Related information is as follows:

	Currency	Par value	Date of issuance	Maturity	Issued amount	Coupon rate
Convertible bonds (a)	RMB	1,500,000,000.00	9 October 2007	6 years	1,500,000,000.00	1%
Corporate bonds (b)	RMB	800,000,000.00	31 July 2007	15 years	800,000,000.00	5.5%
Corporate bonds (b)	RMB	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	6.0%
Medium-term notes (c)	RMB	400,000,000.00	15 March 2010	3 years	400,000,000.00	4.97%
Medium-term notes (c)	RMB	300,000,000.00	26 March 2010	3 years	300,000,000.00	4.97%
Private placement notes (d)	RMB	800,000,000.00	20 December 2012	3 years	800,000,000.00	5.9%

The interests accrued in the balance are analysed as follows:

	31 December 2011	Current year accrued	Current year paid	31 December 2012
Convertible bonds	3,410,959.00	15,000,000.00	(15,000,000.00)	3,410,959.00
Corporate bonds	57,292,239.11	134,000,000.00	(134,000,000.00)	57,292,239.11
Medium-term notes	24,542,136.98	34,012,712.34	(31,290,000.00)	27,264,849.32
Private placement notes	-	1,338,770.00	-	1,338,770.00
	85,245,335.09	184,351,482.34	(180,290,000.00)	89,306,817.43

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

(a) Convertible bonds

The interests of the convertible bonds are repayable once a year (on 9 October each year), and the principal is repayable upon maturity on 9 October 2013, together with the final installment of interest. As at 31 December 2012, the convertible bonds were reclassified to current portion of non-current liabilities (Note 5(20)).

The convertible bonds is guaranteed by the Shenzhen Branch of Agricultural Bank of China Corporation, which is in turn secured by the Company with 47.3% of operating right of Nanguang Expressway (Note 5(10)). The pledge will expire on 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 2012, 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 2012	315,661,793.32
Net book value as at 31 December 2012	1,446,445,174.18

As at 31 December 2012, the fair value of convertible bonds approximated RMB1,467,593,323.31 which was calculated using cash flows discounted method based on market interest rate of comparable non-convertible bond at 4.33% 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 (on 31 July every year) and the principal is repayable in full upon maturity on 31 July 2022. 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 2012, the fair value of corporate bonds approximated RMB789,997,882.07, which was calculated using cash flows discounted method based on market interest rate of comparable corporate bond at 5.27% per annum.

Upon the approval of Zheng Jian Xu Ke (2011) No.1131 issued by China Securities Regulatory Commission, the Company issued long-term corporate bonds with principal amount of RMB1,500,000,000 on 2 August 2011. The bonds bear interest of 6.0% per annum, with the interest repayable annually and the principal repayable in full upon maturity on 27 July 2016. 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 2012, the fair value of the bonds approximated to RMB 1,497,352,621.18 which was calculated using discounted cash flow method and market interest rate of comparable corporate bond at 5.201% per annum.

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

(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 and 4.97% per annum for the third year. The medium-term notes will expire in March 2013, therefore they were reclassified to current portion of non-current liabilities as at 31 December 2012 (Note 5(21)).

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.

(d) Private placement notes

On 18 December 2012, the Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of private placement notes amounting to RMB1,500,000,000.00. The registered quota is valid within two years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the private placement notes in tranches during the validity period. On 20 December 2012, the Company issued the initial tranche of private placement notes amounting to RMB800,000,000.00, which bear a term of 3 years and interest rate of 5.90% per annum with interest repayable annually and the principal repayable in full upon maturity on 20 December 2015.

The fair values of private placement notes approximate to their carrying amounts as the comparable market rate is close to the coupon rate and the effect of discounting is not significant.

(24) Derivative liabilities

		31 December 2012	31 December 2011
Cash flow hedges :			
CNY/HKD cross currency interest rate swap	(a)	16,070,892.42	11,364,107.77
Forward foreign exchange contracts	(b)	-	935,337.35
		16,070,892.42	12,299,445.12
Less: Current portion of forward foreign exchange contracts (Note 5(21))		-	(935,337.35)
		16,070,892.42	11,364,107.77

5 Notes to the consolidated financial statements (continued)

(24) Derivative liabilities (continued)

(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 variable-rate foreign currency loan with a notional principal amount of HKD420,000,000 (31 December 2011: HKD420,000,000). The payment term of 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 outstanding notional principal amount of the CNY/HKD cross currency interest rate swap contract as at 31 December 2012 was HKD357,000,000.00 (31 December 2011: HKD378,000,000). Through this arrangement, the Company is able to pay an fixed interest at 1.8% per annum and to repay the principal at a fixed HKD/RMB exchange rate agreed in the contract while the original floating interest (3-month HIBOR+150BPS) and principal payments (at HKD/RMB exchange spot rate) attached to the loan is offset by the CNY/HKD cross currency interest rate swap. This swap is settled on a quarterly basis from June 2010 to September 2014.

(b) Forward foreign exchange contracts

The Company uses a forward foreign exchange contract to hedge its exchange rate risk against one foreign currency loan with a notional principal amount of HKD227,000,000 (31 December 2011: HKD227,000,000). The loan was due in September 2012. 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 was settled in net in September 2012.

(25) Share capital

	31 December 2011	Current year additions	Current year reductions	31 December 2012
Par value RMB1 per share				
Shares not subject to trading restrictions -				
RMB ordinary shares	1,433,270,326.00	-	-	1,433,270,326.00
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 2010	Current year additions	Current year reductions	31 December 2011
Par value RMB1 per share				
Shares not subject to trading restrictions -				
RMB ordinary shares	1,433,270,326.00	-	-	1,433,270,326.00
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

5 Notes to the consolidated financial statements (continued)

(26) Capital surplus

	31 December 2011	Current year additions	Current year reductions	31 December 2012
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	16,590,228.99	3,771,447.30	(7,305,857.34)	13,055,818.95
Equity investment reserve	406,180.00	-	-	406,180.00
Others	65,760.27	-	-	65,760.27
	3,184,545,911.42	3,771,447.30	(7,305,857.34)	3,181,011,501.38

	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

(27) Surplus reserve

	31 December 2011	Current year additions	31 December 2012
Statutory surplus reserve	1,081,503,618.42	69,370,067.39	1,150,873,685.81
Discretionary surplus reserve	453,391,330.06	-	453,391,330.06
	1,534,894,948.48	69,370,067.39	1,604,265,015.87

	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

In accordance with the 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 passed by the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB69,370,067.39 for the year 2012, (2011: 10% of the net profit for year, amounting to RMB88,462,303.26) to the statutory surplus reserve.

The Company appropriates 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 did not appropriate any discretionary surplus reserve for the year 2012 (2011: nil).

5 Notes to the consolidated financial statements (continued)

(28) Undistributed profits

	2012		2011	
	Amount	Appropriation/ distribution ratio	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the year	2,304,205,866.63		1,866,445,317.49	
Add: Net profit attributable to equity holders of the Company in current year	684,526,701.99		875,146,104.56	
Less: Appropriation for statutory surplus reserve	(69,370,067.39)	10.13%	(88,462,303.26)	10.11%
Appropriation for discretionary surplus reserve	-	-	-	-
Dividends	(348,923,252.16)	39.87%	(348,923,252.16)	46.78%
Undistributed profits at the end of the year	2,570,439,249.07		2,304,205,866.63	

As at 31 December 2012, included in the undistributed profits, RMB263,195,123.54 represents subsidiaries' surplus reserve attributable to the Company (31 December 2011: RMB239,215,257.81), including RMB24,475,413.23 which represented subsidiaries' surplus reserve appropriated in current year (2011: RMB27,264,329.78).

In accordance with the resolution passed in the Annual General meeting on 28 May 2012, 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 represented 39.87% of the net profit for the year ended 31 December 2011.

In accordance with the resolution passed in the Board of Directors' meeting dated on 22 March 2013, the Board of Directors proposed a cash dividend in the amount of RMB0.13 per share, amounting to RMB283,500,142.38 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 41.42% of the net profit for the year ended 31 December 2012.

(29) Minority interests

Minority interests attributable to the minority shareholders of subsidiaries

	31 December 2012	31 December 2011
Minority interest of Qinglian Company - Guangdong Cement Company Limited	732,819,650.68	713,004,087.03
Minority interest of JEL Company - Flywheel Investments Limited	453,764,527.05	520,133,968.62
Minority interest of Guishen Company - CCCC-SHB Fifth Engineering Co., Ltd.	149,845,697.11	59,832,582.00
	1,336,429,874.84	1,292,970,637.65

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services

	2012	2011
Revenue from main business (a)	2,726,353,184.85	2,715,561,596.63
Revenue from other businesses (b)	408,269,908.19	236,057,460.35
	3,134,623,093.04	2,951,619,056.98
Cost of main business (a)	1,301,578,996.25	1,100,092,861.01
Cost of other businesses (b)	209,153,259.83	82,440,716.15
	1,510,732,256.08	1,182,533,577.16

(a) Revenue and cost of services from main business

	2012		2011	
	Revenue of main business	Cost of main business	Revenue of main business	Cost of main business
Revenue from toll road	2,726,353,184.85	1,301,578,996.25	2,715,561,596.63	1,100,092,861.01

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

(b) Revenue and cost of services from other businesses

	2012		2011	
	Revenue from other businesses	Cost of other businesses	Revenue from other businesses	Cost of other businesses
Management services revenue (i)	294,485,944.84	152,312,757.54	149,371,008.88	35,387,177.66
Advertising services revenue	95,291,780.21	55,713,665.36	78,759,499.00	45,110,682.49
Other revenues	18,492,183.14	1,126,836.93	7,926,952.47	1,942,856.00
	408,269,908.19	209,153,259.83	236,057,460.35	82,440,716.15

(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. 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 benefit from both of the return on capital costs and return on investments. Return on capital costs is calculated by 8% of construction funds advanced to the project by the Company while return on investments is calculated by 5% of construction funds advanced to the project plus return on capital costs.

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)

According to the related management services contracts, the Company undertakes to bear cost overruns incurred in 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 to be remote by the directors of the Company, after taking into account the actual progress and the status of these projects.

In current year, the Company recognised construction management service revenue of Nanping (Phase I) Project, Shenyun Project and Longhua Expending Project at RMB129,079,407.85, RMB5,810,835.32 and RMB10,065,267.01 respectively in accordance with the budget costs and project audit results. The Company recognised construction management service revenue of Nanping (Phase II) Project and the Coastal Project at RMB84,358,995.55 and RMB35,860,703.24 respectively according to the percentage of completion of the projects (2011: RMB10,328,863.41 and RMB96,664,263.59 respectively). For Longda Municipal Section Project and Longli BT 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 expenses and taxes incurred amounting to RMB1,774,669.41 and RMB9,536,066.66 respectively (2011: RMB178,776.76 and RMB695,602.38 respectively).

On 29 December 2011, 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 its 89.93% equity interests 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 an annual management entrustment fee of RMB18,000,000.00. The management entrustment fee for the current year amounted to RMB18,000,000.00 (2011: RMB22,014,011.40).

5 Notes to the consolidated financial statements (continued)

(30) **Revenue and cost of services (continued)**

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

Except for revenue from toll road, revenue from the five largest customers of the Group amounted to RMB299,711,275.43 (2011: RMB148,226,469.22) which accounted for 9.55% (2011: 5.02%) of the total revenue of the Group. The detail is analysed below:

	Revenue	% of total revenue
Shenzhen Transportation Bureau	219,249,238.72	6.99%
Coastal Company	35,860,703.04	1.14%
Baotong Company	28,065,267.01	0.90%
Guizhou Longli County Government	9,536,066.66	0.30%
Henggang Subdistrict office of Shenzhen Longgang Distinct	7,000,000.00	0.22%
	299,711,275.43	9.55%

(31) **Business tax and surcharges**

	2012	2011
Business tax	97,433,433.12	91,877,491.42
Construction fee for country culture development	6,712,629.81	6,558,761.50
Educational surcharge	4,461,904.75	4,643,503.07
City maintenance and construction tax	2,726,981.43	1,154,529.57
Others	1,437,537.99	1,037,946.12
	112,772,487.10	105,272,231.68

(32) **General and administrative expenses**

	2012	2011
Salary and wages	47,056,611.96	50,786,743.05
Depreciation	5,978,884.43	6,594,870.79
Audit fees	3,926,800.00	4,004,280.00
Expenses paid to stock exchanges	3,325,684.28	4,498,219.13
Office management expenses	1,956,090.38	1,913,463.60
Others	17,724,797.59	19,954,351.09
	79,968,868.64	87,751,927.66

5 Notes to the consolidated financial statements (continued)

(33) Financial expenses - net

	2012	2011
Interest expense	610,436,683.45	547,417,783.86
Including: Interest expenses of borrowings	359,488,396.09	352,563,850.49
Interest expenses of bonds	260,278,287.36	197,816,336.58
Interest capitalisation	(9,330,000.00)	(2,962,403.21)
Time value of provision for maintenance/resurfacing obligations	34,387,212.24	50,918,285.96
Less：interest income	(34,556,635.52)	(16,348,773.60)
Exchange losses/(gains)	6,116,707.86	(39,068,280.45)
Others	6,034,528.08	4,739,849.91
	622,418,496.11	547,658,865.68

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

	2012		2011	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	49,877,114.95	215,581,313.45	80,789,711.63	153,148,182.94
Borrowings and bonds not wholly repayable within five years	309,611,281.14	44,696,973.91	271,774,138.86	44,668,153.64
	359,488,396.09	260,278,287.36	352,563,850.49	197,816,336.58

(34) Investment income

	2012	2011
Income from long-term equity investments in joint ventures under equity method	2,943,895.62	(2,237,501.98)
Income from long-term equity investments in associates under equity method	125,705,642.78	129,939,481.98
Income from disposal of investments in a joint venture	450,000.00	-
	129,099,538.40	127,701,980.00

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

In 2012 and 2011, the Group’s investment income was solely generated from non-listed investments.

5 Notes to the consolidated financial statements (continued)

(34) Investment income (continued)

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:

	2012	2011	Reason for current year fluctuation
Qinglong Company	57,757,586.90	63,516,542.50	Costs of services and financial expenses increased
Yangmao Company	39,495,941.77	34,511,475.94	Toll road revenue increased
Guangyun Company	20,719,836.26	16,771,478.14	Toll road revenue increased
Nanjing Third Bridge Company	6,083,983.89	3,407,869.88	Toll road revenue increased
GZ W2 Company	3,022,902.38	6,528,008.72	Toll road revenue decreased and financial expenses increased
	127,080,251.20	124,735,375.18	

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

(a) Non-operating income

	2012	2011	Amount recorded as non-recurring profit or loss in 2012
Bounty	1,710,000.00	1,000,000.00	1,710,000.00
Gain on disposal of fixed assets	45,150.00	81,690.00	45,150.00
Others	1,190,662.33	772,922.46	1,190,662.33
	2,945,812.33	1,854,612.46	2,945,812.33

(b) Non-operating expenses

	2012	2011	Amount recorded as non-recurring profit or loss in 2012
Donation	200,000.00	920,000.00	200,000.00
Loss on disposal of fixed assets	3,684,707.52	211,657.27	3,684,707.52
Others	472,406.58	212,220.02	472,406.58
	4,357,114.10	1,343,877.29	4,357,114.10

5 Notes to the consolidated financial statements (continued)

(36) Income tax expenses

	2012	2011
Current income tax calculated according to tax law and related regulations	268,623,737.80	286,864,135.46
Deferred income tax	(58,787,505.72)	(49,786,744.07)
	209,836,232.08	237,077,391.39

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:

	2012	2011
Profit before tax	936,419,221.74	1,156,615,169.97
Income tax expenses calculated at applicable tax rate of 25% (2011: 24%)	234,104,805.44	277,587,640.79
Effect of different tax rate applied for deferred tax calculation	3,281,165.88	2,810,624.37
Income not subject to tax	(34,046,625.89)	(50,500,016.89)
Unrecognised tax losses	4,915,948.94	3,760,422.26
Expenses not deductible for tax purposes	1,967,809.49	3,790,117.77
The deduction of the amortisation of transaction costs of convertible bonds	(386,871.78)	(371,396.91)
Income tax expenses	209,836,232.08	237,077,391.39

(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:

	2012	2011
Consolidated net profit attributable to ordinary shareholders of the Company	684,526,701.99	875,146,104.56
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.314	0.401
Including: Basic earnings per share from continuing operations	0.314	0.401

(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 2012, diluted earnings per share were equal to basic earnings per share.

5 Notes to the consolidated financial statements (continued)

(38) Other comprehensive income

	2012	2011
(Loss)/gain from cash flow hedges	(3,534,410.04)	29,367,262.25
Tax effect	-	-
(Loss)/gain from cash flow hedges – after tax	(3,534,410.04)	29,367,262.25

(39) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	2012	2011
Repayment of advances relating to Longli BT Project and the joint land development	246,021,850.97	-
Advances from GZ W2 Company	10,000,000.00	12,500,000.00
Receipt of quality deposits for Hengping Project	-	9,425,400.00
Cash received from other operating activities	9,037,663.18	22,262,022.64
	265,059,514.15	44,187,422.64

(b) Cash paid relating to other operating activities

	2012	2011
Advanced for acquisition of land use right	309,010,800.00	-
Advanced to Longli BT Project and the joint land development	75,758,366.74	167,364,988.40
Repayments of quality deposits for Nanping (Phase II) Project	16,685,874.62	43,667,738.05
Management expenses paid for Coastal Project	7,235,958.36	13,304,386.50
Management expenses paid for Nanping (Phase II) Project	5,267,309.54	10,988,863.41
Audit, valuation, lawyers and advisory fees paid	4,074,386.76	3,224,232.34
Expenses paid to stock exchange	3,286,423.65	2,887,328.87
Advanced to the migration of Meilin toll station	1,000,000.00	5,740,667.00
Repayments of quality deposits for Coastal Project	-	20,500,000.00
Other operating expenses paid	31,705,794.54	40,943,740.91
	454,024,914.21	308,621,945.48

5 Notes to the consolidated financial statements (continued)

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

(c) Cash received relating to other investing activities

	2012	2011
Interests income received	31,714,872.64	17,009,922.62
Receipt of deposits of self-owned construction projects	1,000,000.00	-
	32,714,872.64	17,009,922.62

(d) Cash paid relating to other investing activities

	2012	2011
Repayment of quality deposits for self-owned construction projects	6,792,022.37	4,102,820.00

(e) Cash received relating to other financing activities

	2012	2011
Release of fixed deposit pledged for the borrowings	-	275,000,000.00

(f) Cash paid relating to other financing activities

	2012	2011
Cash paid for transaction costs of bonds	2,338,792.00	1,610,000.00
Cash paid for other financing expenses	6,762,131.59	3,832,319.18
	9,100,923.59	5,442,319.18

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

	2012	2011
Net profit	726,582,989.66	919,537,778.58
Add: Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	127,991,065.46	112,201,669.25
Amortisation of intangible assets	684,569,414.65	598,787,232.85
Amortisation of long-term prepaid expenses	1,789,787.45	914,778.12
Losses on disposal of fixed assets	3,639,557.52	129,967.27
Financial expenses	622,418,496.11	547,658,865.68
Investment income	(129,099,538.40)	(127,701,980.00)
Net decrease in deferred tax assets and liabilities	(58,787,505.72)	(49,786,744.07)
Decrease/(increase) in inventories	663,252.40	(241,629.28)
Increase in operating receivables	(217,218,949.30)	(223,412,783.49)
Decrease in operating payables	(232,469,602.35)	(12,435,941.63)
Provisions charged into cost of services	-	(258,096,309.87)
Net cash flows from operating activities	1,530,654,667.48	1,508,130,603.41

(b) Net change in cash

	2012	2011
Cash at the end of the year	1,954,204,126.56	2,167,953,309.07
Less: cash at the beginning of the year	(2,167,953,309.07)	(577,312,394.11)
Net (decrease)/increase in cash	(213,749,182.51)	1,590,640,914.96

(c) Cash and cash equivalents

	31 December 2012	31 December 2011
Cash at bank and on hand (Note 5(1))	1,956,056,006.44	2,175,670,176.39
Less: Restricted bank balances (Note 5(1))	(1,851,879.88)	(7,716,867.32)
Cash at the end of the year	1,954,204,126.56	2,167,953,309.07

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.

6 Segment information (continued)

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

(1) Segment information as at and for the year ended 31 December 2012 is as follows:

Segment	Toll road	Other	Unallocated	Group
Revenue from external customers	2,726,353,184.85	408,269,908.19	-	3,134,623,093.04
Interest income	2,812,716.18	1,291,594.88	30,452,324.46	34,556,635.52
Interest expenses	610,436,683.45	-	-	610,436,683.45
Share of profit of associates and joint ventures	125,627,911.80	3,471,626.60	-	129,099,538.40
Depreciation and amortisation	777,839,146.26	29,130,928.67	7,955,892.63	814,925,967.56
Total profit	791,726,243.06	168,446,678.58	(23,753,699.90)	936,419,221.74
Income tax expenses	168,294,578.36	41,541,653.72	-	209,836,232.08
Net profit	623,431,664.70	126,905,024.86	(23,753,699.90)	726,582,989.66
Total assets	23,017,957,040.78	1,023,574,233.31	167,593,768.10	24,209,125,042.19
Total liabilities	12,984,330,458.35	172,042,492.86	179,836,123.82	13,336,209,075.03
Long-term equity investments in associates and joint ventures	1,607,397,758.23	16,175,428.76	-	1,623,573,186.99
Additions to non-current assets other than long-term equity investments	(431,722,059.92)	4,295,717.94	(7,993,881.17)	(435,420,223.15)

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

Segment	Toll road	Other	Unallocated	Group
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 expenses	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

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

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

	31 December 2011	Current year additions	Current year reductions	31 December 2012
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 2012		31 December 2011	
	% interest held	% voting rights	% interest held	% voting rights
Shenzhen International	50.89%	50.89%	50.89%	50.89%

(2) Information of subsidiaries

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

7 Related parties and related party transactions (continued)

(3) Information of joint ventures and associates

	Type	Place of registration	Legal representative	Nature of business	Registered capital (RMB)	% equity interest	% voting right	Code of organisation
Joint ventures-								
Shenchang Company	Limited liability company	Changsha City, Hunan Province	Luo Cheng Bao	(i)	200,000,000	51%	51%	71216935-7
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.

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
Baotong Company	Under same control of Shenzhen International	72618130-6
Longda Company	Under same control of Shenzhen International	77715423-6
Shenzhen International South-China Logistics Co., Ltd. ('SC Logistics Company')	Under same control of Shenzhen International	72615808-5
Xin Tong Chan Company	Shareholder of the Company	19224376-X
Shenzhen International Huatongyuan Logistics Co., Ltd. ('Huatongyuan Company')	Under same control of Shenzhen International	78924196-X
Coastal Company	Ultimately controlled by SIHCL	68201030-1
United Electronic Company	One of its directors is the Company's key management personnel	74084676-5
Expressway Company	One of its directors is the Company's key management personnel	72302096-1
Xin Lu Qiao Company	One of its directors is the Company's key management personnel	70926987-5

(5) Related party transactions

(a) Rendering or receiving of services

(i) Receiving of services

			2012		2011	
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	32,873,307.47	50.03%	29,887,550.45	29.55%
United Electronic Company	Receiving integrated toll system settlement services	Determined by price bureau	16,593,161.73	100.00%	19,421,866.56	100.00%
Xin Lu Qiao Company	Receiving maintenance services for bridges	Negotiated price	728,907.00	1.76%	1,606,217.38	13.30%
Expressway Company	Receiving maintains services for advertising boards	Negotiated price	450,813.00	37.94%	520,314.00	53.10%
Others	Receiving power supply services for advertising boards	Negotiated price	165,568.65	41.88%	170,687.63	45.61%

The Group signed management services contracts with Consulting Company, which mainly in relation to the project management services provided to Qinglian Expressway and Shenzhen Airport-Heao Expressway (Eastern Section).

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.

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)

The Group signed project construction contracts with Xin Lu Qiao Company, which mainly in relation to the maintenance services provided to the expansion joints of bridges of Qinglian Expressway.

Advertising Company, a subsidiary of the Company, signed contracts with Expressway Company, in accordance with which Expressway Company provides maintenance services for advertising boards of Advertising Company.

Advertising Company received power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Hua Yu Company, Expressway Company and Longda Company. The respective transaction amounts were not disclosed as they are not material.

(ii) Rendering of services

			2012		2011	
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	10,065,267.01	3.77%	1,132,578.82	0.89%
Coastal Company	Entrusted construction management services	Negotiated price	35,860,703.04	13.43%	96,664,263.59	76.32%
Longda Company	Provide integrated toll services	Negotiated price	66,983.86	20.92%	280,153.16	38.57%
Others	Supply of water and electricity for offices	Negotiated price	1,059,835.75	43.17%	904,478.47	34.98%

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. 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 20% of any savings exceeding 2.5% of the project budget. In current year, the Company recognised management services income amounting to RMB10,065,267.01 (2011: RMB1,132,578.82) based on the audit of project budget.

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. Pursuant to this agreement and also the ‘construction entrustment agreement’ signed on 9 September 2011, the construction management service revenue is calculated by 1.5% of the construction budget. During the year, the Company has recognised construction management services fee amounting to RMB35,860,703.04 in accordance with the stage of completion (2011: RMB96,664,263.59).

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(a) Rendering or receiving of services (continued)

(ii) Rendering of services (continued)

In accordance with the contract signed between the Company and Longda Company, which agreed to settle the receivable and payable of toll on a net basis and pay a service fee to the party which has a net receivable balance, the Company recognised service income amounting to RMB66,983.86 according to the net amount settled with Longda Company in 2012 (2011: RMB280,153.16).

The Company supplied water and electricity to Shenzhen International, United Electronic Company and Consulting Company with prices that are determined based on those charged by water and electricity supply companies. The individual transaction amounts were not disclosed as they are not material.

(b) Leases

(i) As a lessor

The Group leased office to United Electronic Company and Consulting Company in accordance with the rental contracts signed. The Group recognised rental income amounting to RMB406,902.00 in 2012 (2011: RMB126,038.00). The individual transaction amounts were not disclosed as they are not material.

(ii) As a lessee

Advertising Company, the subsidiary of the Company, rented office premise from Shenzhen International in accordance with rental contracts signed. The related rental expenses in 2012 amounted to RMB1,627,610.40 (2011: nil).

Advertising Company, the subsidiary of the Company, rented billboard land use rights from Longda Company, Huayu Company, Qinglong Company, SC Logistics Company, Xin Tong Chan Company and Huatongyuan Company in accordance with rental contracts signed. Total rental expenses in 2012 amounted to RMB2,187,940.30 (2011: RMB906,350.00). The individual transaction amounts were not disclosed as they are not material.

(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 2012	Entrusted revenue recognised in 2011
Baotong Company	Equity trusteeship	the Company	1 January 2012	31 December 2013	Negotiated price	18,000,000.00	22,014,011.40

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(d) Financing

	Amount	Interests	Starting date	Ending date
Advances from -				
GZ W2 Company	10,000,000.00	Nil	4 May 2012	No fixed repayment date, but repayable on demand
Qinglong Company	40,000,000.00	1,131,716.16	11 July 2012	30 March 2013, but repaid in advance on 31 December 2012
Qinglong Company	40,000,000.00	1,131,716.16	11 July 2012	30 September 2013, but repaid in advance on 31 December 2012
Qinglong Company	20,000,000.00	565,858.08	11 July 2012	30 March 2014, but repaid in advance on 31 December 2012
Qinglong Company	40,000,000.00	361,643.84	6 November 2012	31 March 2013, but repaid in advance on 31 December 2012
Qinglong Company	40,000,000.00	361,643.84	6 November 2012	30 September 2013, but repaid in advance on 31 December 2012
Qinglong Company	20,000,000.00	180,821.92	6 November 2012	31 March 2014, but repaid in advance on 31 December 2012
	210,000,000.00	3,733,400.00		

(e) Remuneration of key management personnel

	2012	2011
Remuneration of key management personnel	10,627,500.00	10,642,000.00

Key management personnel include directors, supervisor and senior management staff. In current year, the Company has 22 key management personnel (2011: 22).

7 Related parties and related party transactions (continued)

(5) **Related party transactions (continued)**

(f) Directors, supervisors and chief executive officer's emoluments

Directors, supervisors and chief executive officer's emoluments for the year ended 31 December 2012 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	-	958,000.00	958,000.00
Wu Ya De (chief executive officer)*	-	958,000.00	958,000.00
Chiu Chi Cheong	350,000.00	-	350,000.00
Lam Wai Hon	180,000.00	-	180,000.00
Ting Fook Cheung	180,000.00	-	180,000.00
Wang Hai Tao	180,000.00	-	180,000.00
Zhang Li Min	180,000.00	-	180,000.00
Fang Jie*	-	588,000.00	588,000.00

Directors, supervisors and chief executive officer's 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 (chief executive officer)*	-	958,000.00	958,000.00
Chiu Chi Cheong	350,000.00	-	350,000.00
Lam Wai Hon	150,000.00	-	150,000.00
Ting Fook Cheung	150,000.00	-	150,000.00
Wang Hai Tao	150,000.00	-	150,000.00
Zhang Li Min	150,000.00	-	150,000.00
Fang Jie*	-	535,000.00	535,000.00

* The directors, supervisor and chief executive officer's 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, supervisors and chief executive officer's emoluments (continued)

The director, Yang Hai, the director and chief executive officer, Wu Ya De, the directors, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Wang Hai Tao, Zhang Li Min, Au Sing Kun, Lin Chu Chang and the supervisors, Zhong Shan Qun, He Sen and Fang Jie are entitled to meeting allowance (after individual income tax) amounting to RMB13,500.00, RMB10,500.00, RMB9,000.00, RMB8,500.00, RMB9,000.00, RMB10,000.00, RMB9,500.00, RMB13,000.00, RMB13,000.00, RMB9,000.00, RMB14,500.00, RMB11,000.00, RMB7,000.00, RMB8,000.00 and RMB5,500.00. The director, Yang Hai, the director and chief executive officer, the directors, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong and the supervisor, Zhong Shan Qun have waived the meeting allowance of the current year.

During the year ended 31 December 2012, the director, Yang Hai and the director and chief executive officer, Wu Ya De, were entitled to the pension schemes contribution of RMB88,000.00 (2011: RMB54,000.00 and RMB93,000.00 (2011: RMB54,000.00), respectively.

In addition, the director, Yang Hai and the director and chief executive officer, Wu Ya De, are also entitled to other benefits and allowances including medical schemes contribution, festival allowance and car allowance, with amounts of RMB55,000.00 (2011: RMB95,000.00) and RMB55,000.00 (2011: RMB96,000.00) respectively during the year ended 31 December 2012.

(g) The five top paid individuals

The five top paid individuals of the Group for the year include 2 (2011: 2) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2011: 3) individuals during the year are as follows:

	2012	2011
Basic salaries, bonus, housing allowance, other allowances in kind	2,619,000.00	2,793,000.00
Pension	246,000.00	151,000.00
	2,865,000.00	2,944,000.00

	Number of individuals 2012	2011
Emolument bands:		
HKD0 – HKD1,000,000	-	-
HKD1,000,001 – HKD1,500,000	3	3
HKD1,500,001 – HKD2,000,000	-	-

7 Related parties and related party transactions (continued)

(6) Receivables from and payables to related parties

		31 December 2012	31 December 2011
Accounts receivables	Coastal Company	78,741,667.61	42,880,964.26
	Baotong Company	2,295,854.23	3,231,848.78
		81,037,521.84	46,112,813.04
Advances to suppliers	Consulting Company	3,127,180.20	949,523.20
Accounts payable	Expressway Company	5,286.35	72,954.35
Other payables	Nanjing Third Bridge Company	39,544,681.47	39,544,681.47
	GZ W2 Company	22,500,000.00	12,500,000.00
	United Electronic Company	1,336,522.58	1,388,420.97
	Consulting Company	131,341.00	-
	Xin Lu Qiao Company	99,286.20	117,127.80
	Shenzhen International	5,000.00	-
	Baotong Company	-	1,003,160.85
		63,616,831.25	54,553,391.09
Dividends payable	Flywheel Investments Limited	-	7,829,353.57
Interest payable	Qinglong Company	3,733,400.00	-

(7) Commitments 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 2012	31 December 2011
Consulting Company	32,392,485.71	4,600,958.03

8 Contingencies

(a) In 2011, 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.

In 2011, the Company signed a construction management service contract with Coastal Company who represents the Shenzhen government, entrusted the Company to manage the construction of Coastal Project. The Company had arranged with bank to issue irrevocable performance guarantees to Coastal Company amounting to RMB200,000,000.00.

(b) Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development 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. Qingyuan Fengyun Eco-tourism Development Company Limited 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 2012	31 December 2011
Expressway construction projects	662,605,498.80	357,834,597.53

It mainly represents capital commitments relating to the extension of Meiguan Expressway and Outer Ring Expressway.

9 Commitments (continued)

(1) Capital commitments (continued)

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

	31 December 2012	31 December 2011
Expressway construction projects	241,005,584.59	401,395,296.48

As at 31 December 2012 and 31 December 2011, the joint ventures had no capital commitments.

(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 the form of cash to an associate, Qinglong Company, which will be used on the expansion project of Shuiguan Expressway. Up to 31 December 2012, the Company had injected RMB89.6 million. The investment commitment was RMB42.4 million.

(3) **Performance status of commitments in previous years**

The Group had fully fulfilled outstanding capital commitments as at 31 December 2011. In current year, in accordance with the resolution of Board of Directors' meeting, the Group injected RMB218 million to Qinglian Company, which comprised RMB147 million transferred from shareholder's loan and cash injection of RMB71 million. In current year, the Group injected RMB210 million to Guishen Company.

10 Events after the balance sheet date

Dividend distribution after the balance sheet date

Dividend proposed (a)	
- Dividend authorised to declare	283,500,142.38

(a) In accordance with the resolution of the Board of Directors' meeting dated on 22 March 2013, the Board of Directors proposed a dividend in the amount of RMB283,500,142.38 to the shareholders, which is not recorded as liability in the financial statements for the year ended 31 December 2012 (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 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 minimise foreign exchange risk.

As at 31 December 2012 and 31 December 2011, the carrying amounts in RMB equivalent of the Group’s assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2012		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency -			
Cash at bank and on hand	3,672,859.37	97,055.93	3,769,915.30
Financial liabilities denominated in foreign currency -			
Short-term borrowings	-	-	-
Current portion of non-current liabilities	17,028,900.00	-	17,028,900.00
Long-term borrowings	410,315,400.00	-	410,315,400.00
	427,344,300.00	-	427,344,300.00

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

11 Financial instruments and risk (continued)

(1) **Market risk (continued)**

(a) Foreign exchange risk (continued)

Regardless of the borrowing amounting to HKD357 million of which the foreign exchange risks have been hedged by the cross currency interest rate swap (Note 5(24)), as at 31 December 2012, if the currency had strengthened/weakened 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 RMB13,423,227.71 (31 December 2011: RMB28,266,199.92) higher/lower.

(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 2012, the Group's long-term interest bearing borrowings and bonds payable (including current portion) with floating rates amounting to RMB4,652,939,400.00 (31 December 2011: approximately RMB5,984,434,455.54).

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.

In current year, regardless of the borrowing amounting to HKD357 million, of which the interest rate risk has been hedged by the cross currency interest rate swap (Note 5(24)), if interest rates on the floating rate borrowings and bonds payable (including current portion) 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 RMB19,053,183.11 (31 December 2011: approximately RMB17,238,984.84).

(2) **Credit risk**

The Group expects that there is no significant credit risk. The carrying values of cash at bank an on hand, accounts receivable and other receivables maximum credit risk of the Group.

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

	31 December 2012	31 December 2011
State-owned banks	679,823,902.53	875,265,279.96
Other banks	1,265,533,556.10	1,296,467,693.93
	1,945,357,458.63	2,171,732,973.89

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 the others are the listed banks or commercial banks at large/medium size. The management do not expect any losses from non-performance by these counterparties.

Considering 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 County relating to Longli BT Project, which amounted to approximately RMB333 million (2011: RMB409 million) in aggregate.

11 Financial instruments and risk (continued)

(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 2012				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
Cash at bank and on hand	1,956,056,006.44	-	-	-	1,956,056,006.44
Receivables (Note 1)	425,580,143.28	-	-	-	425,580,143.28
	2,381,636,149.72	-	-	-	2,381,636,149.72
Financial liabilities -					
Short-term borrowings	1,058,027.40	-	-	-	1,058,027.40
Current portion of non-current liabilities (Note 3)	2,373,345,801.20	-	-	-	2,373,345,801.20
Payables (Note 2)	1,077,963,154.28	-	-	-	1,077,963,154.28
Long-term borrowings	300,061,538.72	689,516,545.20	2,139,508,896.58	4,074,335,185.79	7,203,422,166.29
Bonds payables	181,200,000.00	181,200,000.00	2,659,200,000.00	1,020,000,000.00	4,041,600,000.00
Derivative liabilities	1,590,644.65	23,107,949.98	-	-	24,698,594.63
	3,935,219,166.25	893,824,495.18	4,798,708,896.58	5,094,335,185.79	14,722,087,743.80

	31 December 2011				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets -					
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 -					
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
Derivative liabilities	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

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

11 Financial instruments and risk (continued)

(3) Liquidity risk (continued)

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

	31 December 2012		31 December 2011	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	429,344,300.00	4,500,000,000.00	1,700,339,308.00	3,700,000,000.00
Not wholly repayable within five years	4,906,624,000.00	800,000,000.00	4,823,444,000.00	800,000,000.00
	5,335,968,300.00	5,300,000,000.00	6,523,783,308.00	4,500,000,000.00

Since the Group has steady and sufficient cash flow from operation, sufficient banking facilities and proper financing arrangement to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group has no significant liquidity risk.

(4) Fair value

(a) Financial instruments not measured at fair value

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

Except for the financial liabilities listed below, the carrying amounts of financial assets and liabilities not measured at fair value approximated to their fair values.

	31 December 2012		31 December 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	565,000,000.00	548,641,193.55	765,000,000.00	728,440,632.70
Bonds payable	3,081,681,079.84	3,085,552,222.33	3,656,125,969.29	3,594,544,669.26
	3,646,681,079.84	3,634,193,415.88	4,421,125,969.29	4,322,985,301.96

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 contractual future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

(b) Financial instruments measured at fair value

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

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

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

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

11 Financial instruments and risk (continued)

(4) Fair value (continued)

As at 31 December 2012, 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 -				
Derivative liabilities	-	16,070,892.42	-	16,070,892.42

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 derivative liabilities	-	935,337.35	-	935,337.35
Derivative liabilities	-	11,364,107.77	-	11,364,107.77
	-	12,299,445.12	-	12,299,445.12

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 2011	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 2012
Current portion of derivative liabilities	935,337.35	-	(935,337.35)	-	-
Derivative liabilities	11,364,107.77	-	4,706,784.65	-	16,070,892.42
	12,299,445.12	-	3,771,447.30	-	16,070,892.42

13 Notes to the Company's financial statements

(1) Accounts receivable

	31 December 2012	31 December 2011
Accounts receivable	340,856,332.71	261,825,282.91
Less: provision for bad debts	-	-
	340,856,332.71	261,825,282.91

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

	31 December 2012	31 December 2011
Within 1 year	262,478,711.86	75,299,246.44
1 to 2 years	45,277,003.37	61,327,067.98
2 to 3 years	-	12,485.00
Over 3 years	33,100,617.48	125,186,483.49
	340,856,332.71	261,825,282.91

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

	31 December 2012				31 December 2011			
	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	306,436,293.86	89.90%	-	-	248,326,314.16	94.84%	-	-
- Group 2	34,420,038.85	10.10%	-	-	13,498,968.75	5.16%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	340,856,332.71	100.00%	-	-	261,825,282.91	100.00%	-	-

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

(1) Accounts receivable (continued)

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

	31 December 2012				31 December 2011			
	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	34,420,038.85	100.00%	-	-	13,486,483.75	99.91%	-	-
1 year to 2 year	-	-	-	-	12,485.00	0.09%	-	-
	34,420,038.85	100.00%	-	-	13,498,968.75	100.00%	-	-

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

	Relationship with the Company	31 December 2012			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Coastal Company	Controlled by the ultimate holding company, together with the Company	78,741,667.61	23.10%	-	42,880,964.26	16.38%	-
Baotong Company	Controlled by the parent company, together with the Company	2,295,854.23	0.67%	-	3,231,848.78	1.23%	-
		81,037,521.84	23.77%	-	46,112,813.04	17.61%	-

(e) As at 31 December 2012 and 31 December 2011, 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 2012, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Due from Shenzhen Transportation Bureau in relation to the project management services provided to Nanping (Phase I) Project	Independent third party	109,829,378.84	1 to 2 years	32.22%
Due from Shenzhen Transportation Bureau in relation to the project management services provided to Nanping (Phase II) Project	Independent third party	80,875,356.55	Within 1 year	23.73%
Due from Coastal Company in relation to the project management services provided to Coastal Project	Controlled by the ultimate holding company, together with the Company	78,741,667.61	1 to 2 years	23.10%
Due from Highway Bureau of Longgang Distinct in relation to the project management services to provided Hengping Project	Independent third party	33,407,071.35	1 to 4 years	9.80%
Revenue from revenues through unitoll cards	Independent third party	23,075,314.18	Within 1 year	6.77%
		325,928,788.53		95.62%

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

(1) **Accounts receivable (continued)**

(g) As at 31 December 2012 and 31 December 2011, all accounts receivable were denominated in RMB.

(2) **Other receivables**

	31 December 2012	31 December 2011
Loans to Qinglian Company	417,113,358.91	-
Advances	398,098,491.93	228,108,299.60
Others	3,687,638.15	6,324,059.08
	818,899,488.99	234,432,358.68
Less: provision for bad debts	-	-
	818,899,488.99	234,432,358.68

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

	31 December 2012	31 December 2011
Within 1 year	817,832,633.17	231,506,980.42
1 to 2 years	414,053.25	2,831,728.14
2 to 3 years	652,802.57	93,650.12
	818,899,488.99	234,432,358.68

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

	31 December 2012				31 December 2011			
	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	815,125,655.12	99.54%	-	-	228,108,299.60	97.30%	-	-
- Group 2	3,773,833.87	0.46%	-	-	6,324,059.08	2.70%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	818,899,488.99	100.00%	-	-	234,432,358.68	100.00%	-	-

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

(2) Other receivables (continued)

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

	31 December 2012				31 December 2011			
	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	3,056,704.38	81.00%	-	-	5,901,013.47	93.31%	-	-
1 to 2 years	697,129.49	18.47%	-	-	329,395.49	5.21%	-	-
2 to 3 years	20,000.00	0.53%	-	-	93,650.12	1.48%	-	-
	3,773,833.87	100.00%	-	-	6,324,059.08	100.00%	-	-

(d) As at 31 December 2012 and 31 December 2011, there were no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

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

	Relationship with the Company	31 December 2012			31 December 2011		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Qinglian Company	A subsidiary of the Company	417,113,358.91	50.93%	-	-	-	-
Airport-Heao Eastern Company	A subsidiary of the Company	210,314,923.93	25.68%	-	85,986,514.82	36.68%	-
Meiguan Company	A subsidiary of the Company	181,381,406.16	22.15%	-	136,096,968.70	58.05%	-
Outer Ring Company	A subsidiary of the Company	4,392,561.13	0.54%	-	-	-	-
		813,202,250.13	99.30%	-	222,083,483.52	94.73%	-

(f) As at 31 December 2012, the five largest other receivables are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Loans to Qinglian Company	A subsidiary of the Company	417,113,358.91	Within 1 year	50.93%
Advances to Airport-Heao Eastern Company	A subsidiary of the Company	210,314,923.93	Within 1 year	25.68%
Advances to Meiguan Company	A subsidiary of the Company	181,381,406.16	Within 1 year	22.15%
Advances to Outer Ring Company	A subsidiary of the Company	4,392,561.13	Within 1 year	0.54%
Advances of charges for water and electricity paid on behalf of Nanguang Checkpoint Station	Independent third party	1,187,778.47	1 to 3 years	0.15%
		814,390,028.60		99.45%

(g) As at 31 December 2012 and 31 December 2011, all other receivables were denominated in RMB.

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

(3) Long-term receivables

	31 December 2012	31 December 2011
Loans to Qinglian Company	818,333,335.01	1,286,001,469.25

(4) Long-term equity investments

	31 December 2012	31 December 2011
Subsidiaries - Unlisted (a)	4,972,495,784.60	4,903,409,939.58
Joint ventures - Unlisted (b)	174,639,254.25	183,131,418.94
Associates - Unlisted (b)	1,448,933,932.74	1,402,813,466.57
Other long-term equity investment (b)	30,170,000.00	30,170,000.00
	6,626,238,971.59	6,519,524,825.09
Less: Provision for impairment of long-term equity investments	-	-
	6,626,238,971.59	6,519,524,825.09

As at 31 December 2012, no provision for impairment of long-term equity investments was required (31 December 2011: nil).

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

(4) Long-term equity investments (continued)

(a) Subsidiaries

	Ending balance of investment costs	31 December 2011	Current year additions	Investment cost recovered	31 December 2012	Cash dividend declared	Equity interest held	Voting rights held	Impairment
Airport-Heao Eastern Company	1,082,946,738.33	1,145,145,597.78	-	(62,198,859.45)	1,082,946,738.33	158,079,859.57	100%	100%	-
Meiguan Company	641,254,743.00	651,394,912.16	-	(10,140,169.16)	641,254,743.00	156,471,437.97	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	1,933,200,000.00	1,981,775,126.37	-	(48,575,126.38)	1,933,200,000.00	-	51.37%	51.37%	-
Outer Ring Company	100,000,000.00	100,000,000.00	-	-	100,000,000.00	-	100%	100%	-
Expressway Investment Company	380,000,000.00	190,000,000.00	190,000,000.00	-	380,000,000.00	-	95%	95%	-
	4,972,495,784.60	4,903,409,939.58	190,000,000.00	(120,914,154.99)	4,972,495,784.60	314,551,297.54			-

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) The detailed information of associates and other long-term equity investments are set out in Note 5(6)(a), Note 5(6)(b) and Note 5(6)(c).

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

(5) Fixed assets

	Buildings	Traffic	Motor vehicles	Office and other	Total
Cost					
31 December 2011	381,619,282.45	574,210,610.06	16,330,867.35	37,199,427.23	1,009,360,187.09
Transfers from construction in	-	3,135,120.31	-	-	3,135,120.31
Additions in current year	-	8,881,024.16	601,590.00	1,498,059.95	10,980,674.11
Adjustment to cost due to final	-	(8,337,667.65)	-	-	(8,337,667.65)
Current year reductions	-	(1,602,120.13)	(549,225.90)	(661,134.18)	(2,812,480.21)
31 December 2012	381,619,282.45	576,286,966.75	16,383,231.45	38,036,353.00	1,012,325,833.65
Accumulated depreciation					
31 December 2011	76,419,035.39	240,160,850.56	11,787,361.60	25,280,850.65	353,648,098.20
Current year additions	13,304,706.48	50,686,406.19	1,836,389.00	4,477,206.53	70,304,708.20
Current year reductions	-	(1,195,397.86)	(485,017.62)	(575,368.72)	(2,255,784.20)
31 December 2012	89,723,741.87	289,651,858.89	13,138,732.98	29,182,688.46	421,697,022.20
Net book value					
31 December 2012	291,895,540.58	286,635,107.86	3,244,498.47	8,853,664.54	590,628,811.45
31 December 2011	305,200,247.06	334,049,759.50	4,543,505.75	11,918,576.58	655,712,088.89

The Company has buildings with net book value of RMB183,423,772.38 (cost: RMB256,161,448.83) lacking certificates of ownership (31 December 2011: net book value of RMB202,142,607.45, cost of RMB256,161,448.83). Due to the unique feature of the Company'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 2012, depreciation expenses amounting to RMB64,666,013.95 (2011: RMB55,622,648.35) and RMB5,638,694.25 (2011: RMB5,517,622.80) had been charged in costs of services and general and administrative expenses, respectively. As at 31 December 2012, no provision for impairment of fixed assets was required (31 December 2011: nil).

(6) Construction in progress

Name	Budget	31 December 2011	Current year additions	Transfer to fixed assets	31 December 2012	Source of funds	% contribution in budget of current year	Progress of construction
Others	*	1,392,509.32	4,579,668.31	(3,135,120.31)	2,837,057.32	Self-owned funds	*	In progress

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

As at 31 December 2012, no provision for impairment of construction in progress was required (31 December 2011: nil).

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

(7) Intangible assets

	Cost	31 December 2011	Current year addtions	Current year amortisation	31 December 2012	Accumulated amortisation
Concession intangible assets	5,751,529,304.54	5,058,811,968.92	88,212,166.26	(165,569,644.72)	4,981,454,490.46	(858,286,980.34)
- Nanguang Expressway	2,675,390,800.00	2,566,366,997.68	88,212,166.26	(46,903,779.31)	2,607,675,384.63	(155,927,581.63)
- Yanba Expressway	1,321,937,644.13	1,189,507,053.82	-	(33,617,084.12)	1,155,889,969.70	(166,047,674.43)
- Yanpai Expressway	910,532,308.18	746,777,791.61	-	(43,142,075.40)	703,635,716.21	(206,896,591.97)
- Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	556,160,125.81	-	(41,906,705.89)	514,253,419.92	(329,415,132.31)
Office software	1,604,820.00	1,466,006.37	61,800.00	(326,907.42)	1,200,898.95	(465,721.05)
Total	5,753,134,124.54	5,060,277,975.29	88,273,966.26	(165,896,552.14)	4,982,655,389.41	(858,752,701.39)

The amortisation of intangible assets amounting to RMB165,896,552.14 was charged into current year's income statement (2011: RMB150,735,829.79).

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

(8) Accounts payable

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

	31 December 2012	31 December 2011
Within 1 year (including 1 year)	7,684,220.75	41,151,194.98
Over 1 year	78,522,805.31	72,058,436.00
	86,207,026.06	113,209,630.98

(9) Borrowings and bonds payable

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

	31 December 2012		31 December 2011	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	290,491,300.00	4,500,000,000.00	1,448,073,500.00	3,700,000,000.00
Not wholly repayable within five years	565,000,000.00	800,000,000.00	665,000,000.00	800,000,000.00
	855,491,300.00	5,300,000,000.00	2,113,073,500.00	4,500,000,000.00

(10) Provisions

	31 December 2011	Current year movement	31 December 2012
Provisions for maintenance/resurfacing obligations	399,642,749.56	4,109,050.29	403,751,799.85
Less: current portion	(43,532,832.03)	(164,326,557.45)	(207,859,389.48)
	356,109,917.53	(160,217,507.16)	195,892,410.37

(11) Revenue and cost of services

	2012	2011
Revenue from main businesses (a)	955,242,007.62	967,988,704.23
Revenue from other businesses (b)	293,581,222.10	153,735,120.74
	1,248,823,229.72	1,121,723,824.97
Cost of main businesses (a)	384,191,744.94	98,925,974.73
Cost of other businesses (b)	145,057,777.24	37,093,025.21
	529,249,522.18	136,018,999.94

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

(11) Revenue and cost of services (continued)

(a) Revenue and cost of services from main operation

	2012		2011	
	Revenue from main business	Cost of main business	Revenue from main business	Cost of main business
Revenue from toll road	955,242,007.62	384,191,744.94	967,988,704.23	98,925,974.73

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

(b) Revenue and cost of services from other businesses

	2012		2011	
	Revenue from other businesses	Cost of other businesses	Revenue from other businesses	Cost of other businesses
Management services revenue	284,949,878.18	143,113,128.74	148,675,406.50	34,691,575.28
Other revenues	8,631,343.92	1,944,648.50	5,059,714.24	2,401,449.93
	293,581,222.10	145,057,777.24	153,735,120.74	37,093,025.21

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

Except for revenue from toll road, revenue from the five largest customers of the Company amounted to RMB286,778,907.77 (2011: RMB146,841,365.22) which accounted for 22.96% (2011: 13.09%) of the total revenue of the Company. The detail is analysed below:

	Revenue	% of total revenue
Shenzhen Transportation Bureau	219,249,238.72	17.55%
Coastal Company	35,860,703.04	2.87%
Baotong Company	28,065,267.01	2.25%
Xiashen Railway Guangdong Company Limited	2,500,000.00	0.20%
China Mobile Limited Guangdong Shenzhen Branch	1,103,699.00	0.09%
	286,778,907.77	22.96%

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

(12) Financial expenses - net

	2012	2011
Interest expense	269,489,551.62	243,554,777.64
Including: Interest expenses from borrowings	69,969,022.88	114,918,323.68
Interest expenses from bonds payable	199,520,528.74	128,636,453.96
Time value of provision for maintenance/resurfacing obligations	25,073,762.60	32,869,655.64
Less：interest income	(28,808,587.52)	(12,478,268.84)
Exchange loss/(gains)	2,386,580.29	(44,138,577.92)
Others	5,779,476.58	4,180,639.93
	273,920,783.57	223,988,226.45

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

	2012		2011	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	33,401,184.52	199,520,528.74	77,781,398.68	128,636,453.96
Borrowings and bonds not wholly repayable within five years	36,567,838.36	-	37,136,925.00	-
	69,969,022.88	199,520,528.74	114,918,323.68	128,636,453.96

(13) Investment income

	2012	2011
Income from long-term equity investments under cost method	314,551,297.54	274,916,587.27
Income from long-term equity investments under equity method	128,649,538.40	127,701,980.00
Income from disposal of investments in a joint venture	450,000.00	-
	443,650,835.94	402,618,567.27

(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:

	2012	2011	Reason for current year fluctuation
Airport-Heao Eastern Company	158,079,859.57	189,361,788.60	Decrease in toll road revenue.
Meiguan Company	156,471,437.97	85,554,798.67	Road surface maintenance expenses of the south section of Meiguan Expressway decreased.
	314,551,297.54	274,916,587.27	

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

(13) Investment income (continued)

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

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

	2012	2011	Reason for current year fluctuation
Qinglong Company	57,757,586.90	63,516,542.50	Costs of services and financial expenses increased
Yangmao Company	39,495,941.77	34,511,475.94	Toll road revenue increased
Guangyun Company	20,719,836.26	16,771,478.14	Toll road revenue increased
Nanjing Third Bridge Company	6,083,983.89	3,407,869.88	Toll road revenue increased
GZ W2 Company	3,022,902.38	6,528,008.72	Toll road revenue decreased and financial expenses increased
	127,080,251.20	124,735,375.18	

(14) Income tax expenses

	2012	2011
Current income tax calculated according to tax law and related regulations	99,992,215.73	110,688,790.50
Deferred income tax	(17,404,088.00)	43,343,586.84
	82,588,127.73	154,032,377.34

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:

	2012	2011
Profit before tax	776,288,801.58	1,038,655,409.90
Income tax expenses calculated at applicable tax rate of 25% (2011: 24%)	194,072,200.40	249,277,298.38
Effect of different tax rate applied for deferred tax calculation	-	2,329,864.82
Income not subject to tax	(112,684,450.27)	(99,081,433.97)
Expenses not deductible for tax purposes	1,587,249.38	1,878,045.02
The deduction of the amortisation of transaction costs of convertible bonds	(386,871.78)	(371,396.91)
Income tax expenses	82,588,127.73	154,032,377.34

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

(15) Supplementary information to cash flow statements

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

	2012	2011
Net profit	693,700,673.85	884,623,032.56
Add: Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	70,304,708.20	61,140,271.15
Amortisation of intangible assets	165,896,552.14	150,735,829.79
Amortisation of long-term prepaid expenses	914,778.12	914,778.12
Losses on disposal of fixed assets	490,791.23	53,879.25
Financial expenses	273,920,783.57	223,988,226.45
Investment income	(443,650,835.94)	(402,618,567.28)
(Increase)/decrease in deferred tax assets	(17,404,088.00)	43,343,586.84
(Increase)/decrease in inventories	(237,714.83)	223,233.46
Increase in operating receivables	(663,963,082.72)	(224,158,638.99)
Increase/(decrease) in operating payables	379,784,042.81	(13,657,686.89)
Provisions charged into cost of services	-	(258,096,309.86)
Net cash flows from operating activities	460,332,308.43	467,067,334.60

(b) Net change in cash

	2012	2011
Cash at the end of the year	1,166,746,594.53	1,412,201,859.12
Less: cash at the beginning of the year	(1,412,201,859.12)	(271,860,517.58)
Net (decrease)/increase in cash	(245,455,264.59)	1,140,341,341.54

(c) Cash and cash equivalents

	31 December 2012	31 December 2011
Cash at bank and on hand	1,168,598,474.41	1,419,918,726.44
Less: Restricted bank balances (Note 5(1))	(1,851,879.88)	(7,716,867.32)
Cash at the end of the year	1,166,746,594.53	1,412,201,859.12

14 Net current assets

	Group	
	31 December 2012	31 December 2011
Current assets	2,704,917,808.58	2,706,793,546.66
Less: current liabilities	(3,889,541,786.88)	(2,551,402,282.81)
Net current (liabilities)/assets	(1,184,623,978.30)	155,391,263.85

	Company	
	31 December 2012	31 December 2011
Current assets	2,336,316,457.96	1,923,905,002.48
Less: current liabilities	(2,903,659,968.70)	(1,102,540,830.30)
Net current (liabilities)/assets	(567,343,510.74)	821,364,172.18

15 Total assets less current liabilities

	Group	
	31 December 2012	31 December 2011
Total assets	24,209,125,042.19	24,608,792,701.94
Less: current liabilities	(3,889,541,786.88)	(2,551,402,282.81)
Total assets less current liabilities	20,319,583,255.31	22,057,390,419.13

	Company	
	31 December 2012	31 December 2011
Total assets	15,452,527,016.22	15,526,417,253.92
Less: current liabilities	(2,903,659,968.70)	(1,102,540,830.30)
Total assets less current liabilities	12,548,867,047.52	14,423,876,423.62

Supplementary Information

1 Detailed list of non-recurring profit or loss items

2 Return on net assets and earnings per share

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

Shenzhen Expressway Company Limited

Supplementary information
For the year ended 31 December 2012
(All amounts in RMB unless otherwise stated)

1 Detailed list of non-recurring profit or loss items

	2012	2011	Note
Profits from entrusted management services	16,990,200.00	20,779,025.37	Profits from entrusted management services provided to Longda Company in current year.
The amortisation of compensation provided by concession grantor	13,749,423.41	12,776,796.62	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.
Income from disposal of investments in a joint venture	450,000.00	-	Investment income from disposal of investments in a joint venture in current year.
Other profit or loss items that meet the definition of non-recurring profit or loss	(1,411,301.77)	510,735.17	The net amount of other non-recurring profit and loss.
	29,778,321.64	34,066,557.16	
Impact of income tax(2012:25%, 2011:24%)	(5,379,862.27)	(6,320,971.76)	Tax impact of the non-recurring profit and loss.
Impact of minority interests (after tax)	432,521.40	(15,908.51)	
	24,830,980.77	27,729,676.89	

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 arise 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.

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	
	2012	2011	2012	2011	2012	2011
Net profit attributable to ordinary owners of the Company	7.33%	9.84%	0.314	0.401	0.314	0.401
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	7.06%	9.52%	0.303	0.389	0.303	0.389

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 2012	31 December 2011	Increase/(decrease)(%)
Advances to suppliers	1	320,335,136.60	15,930,561.01	1,910.82
Other receivables	2	37,496,747.37	194,749,864.07	(80.75)
Construction in progress	3	16,357,384.44	28,349,097.79	(42.30)
Deferred tax assets	4	79,238,463.43	60,149,197.95	31.74
Shor-term borrowings	5	1,000,000.00	137,819,000.00	(99.27)
Taxes payable	6	66,885,479.35	199,149,842.71	(66.41)
Other payables	7	416,155,154.40	292,636,940.62	42.21
Current portion of non-current liabilities	8	2,538,991,115.62	812,396,755.52	212.53
Provisions	9	195,892,410.37	356,109,917.53	(44.99)
Derivative liabilities	10	16,070,892.42	11,364,107.77	41.42

		2012	2011	Increase/(decrease)(%)
Net cash flows from investing activities	11	(428,055,620.51)	(740,857,304.15)	(42.22)
Net cash flows from financing activities	12	(1,315,954,348.55)	828,143,740.16	Not applicable

1. In current year, Guishen Company obtained land use right for a piece of land located in Longli County, Guizhou Province with area of approximately 883 mu. Guishen Company made a prepayment for land use right of approximately RMB309 million.
2. The Company received repayment in relation to the joint land development in Longli County, Guizhou Province and project fund of Longli BT Project in current year.
3. The expansion project of Qinglian Expressway’s toll road station was completed and transferred to fixed assets in current year.
4. Deferred tax liabilities in relation to the taxable temporary differences of convertible bonds and the amortisation of concession intangible assets decreased in current year, which resulted in an increase in deferred tax assets after offsetting.
5. Most short-term borrowings were repaid in current year.
6. In current year, the Group settled the corporate income tax provision accrued in prior years in relation to local government grants and paid corporate income tax of last year according to the annual tax clearance results.
7. Project fund payable to Longli BT Project and payable related to costs of construction management services increased in current year.
8. Convertible bonds, medium-term notes and provisions for maintenance/resurfacing obligations related to Airport-Heao Expressway (Western Section) were reclassified into current portion in current year.
9. Provisions for maintenance/resurfacing obligations related to Airport-Heao Expressway (Western Section) were reclassified into current portion in current year.
10. Changes in fair value of CNY/HKD cross currency and interest rate swap in current year.
11. Capital expenditures decreased in current year.
12. New financing decreased and the repayment of borrowings increased in current year.