SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00548)

路

Annual Report
2012

深高速

共同進步　分享快樂
Advancing Together, Harvesting Together

路

經驗／開拓／將來

The road and bridge construction are the foundation of Shenzhen Expressway. Our success lies on our roads such as Meiguan, Jihe and Yanba which connect towns and cities far and near, and the contribution from the people who construct, manage and maintain the roads. Therefore, we adopt the "**路(Road)**" as the theme of this year with an aim to highlight the Company's business and value.

Looking back to 2012, the toll highway industry saw the changes of policies and suffered the pressure from the public's criticism. Under the current operating environment, an important challenge that the management is facing is how to choose the road for our future development. The theme, "**路(Road)**", also reflects the Company's thought and pursuit for future development.

Looking forward, although the road may be smooth, harsh, unhindered or zigzag, the people in Shenzhen Expressway have the determination and belief to step forward. We hope to gain the support and understanding from all parties on the road ahead and work hand in hand to step forward on the road to success!

Member of Shenzhen International
Holdings Limited

CONTENTS

Cautionary Statement in relation to Forward-looking Statement

Beside statements of facts, this report also contains certain "forward-looking statements". These forward-looking statements include, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company. Statements with words or phrases containing "anticipate", "expected", "plan", "believe", "estimate" and similar expressions are intended to identify a number of these forward-looking statements. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Users of this report are cautioned that most of these factors are not under the control of the Company and may affect the performance, operations and actual results of the Company. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Users of this report should consider the aforesaid and other factors, and should not place undue reliance on such "forward-looking statements". In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of these forward-looking statements.

Important Notice

The Board, the Supervisory Committee and the Directors, the Supervisors, the senior management of the Company confirm the truthfulness, accuracy and completeness of the content of this annual report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.

All Directors attended the ninth meeting of the sixth session of Board in which this annual report was approved in person.

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

Mr. Yang Hai, Chairman, Mr. Wu Ya De, President, Ms. Gong Tao Tao, Financial Controller, and Mr. Sun Bin, General Manager of Finance Department, declare and confirm the truthfulness, accuracy, and completeness of the financial statements contained in this annual report.

The Board recommended the payment of a final dividend of RMB0.13 (tax included) per share in cash for 2012, and did not recommend any conversion of capital reserve into share capital. Such proposal is to be submitted to the 2012 Annual General Meeting of the Company for approval.

Cautionary Statement in relation to Major Risk

An adjustment in toll fees and a toll free policy implemented in 2012 in succession had considerable impact on the Group's profit for 2012. As relative policies will be implemented for the whole 2013, it is expected the Group's operating results will be further affected. The Group will adhere to our philosophy of sound operation, by way of increasing income and containing expenditures, make adjustment to business strategy in a timely manner, in order to response to the policy changes and to mitigate negative impact arising therefrom as much as possible. For details thereof, please refer to the contents in Chapter V of this annual report. In Chapter V of this annual report, detailed information on the risks faced in operating activities and the countermeasures are provided for investors' attention, with a view to improve the understanding of the company's business, management and development trends.

Other notes:

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

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

3. For the abbreviation of the Company's roads/projects, investee companies, and other common terms, please refer to Chapter XIII and Chapter I of this annual report.

Introduction to the Company

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

A total of 2,180,770,326 shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and approximately 34.28% of the total share capital of the Company respectively. XTC Company, who is one of the promoters of the Company and is a wholly-owned subsidiary of Shenzhen International which is listed on HKEx, holding approximately 30.03% of the Company's shares, is the largest shareholder of the Company. Shenzhen International has been the indirectly controlling shareholder of the Company with holding over 50% of the Company's shares since December 2008.

As at the end of the Reporting Period, the Company operated and invested totally 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) is approximately 427km. In addition, the Company provides outstanding construction management and operation management services for the government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highway, the Company has launched the businesses related to advertising, construction consulting, and inter-network toll collection. The principal business structure of the Company is set out as follows:

Shenzhen Expressway Company Limited

Toll Highway Business

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

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

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

Entrusted Management Business

- ▶ Entrusted Construction Management
- ▶ Entrusted Operation Management

Other Businesses

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

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

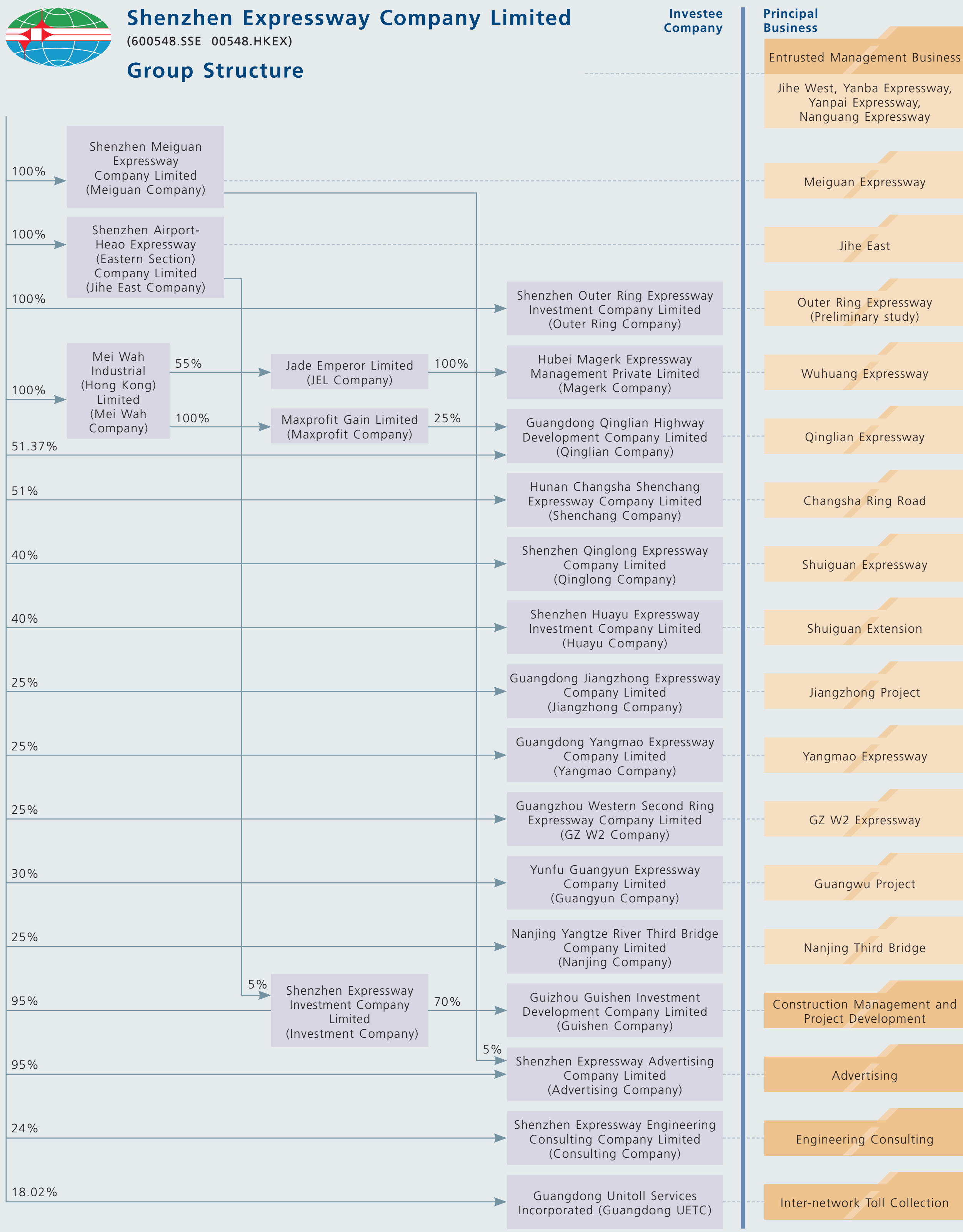
- ▶ Consolidated project / business
- ▷ Non consolidated project / business

Note: For details regarding the Company's basic information and toll highway projects, please refer to Chapter XII of this annual report.

Shenzhen Expressway Company Limited

(600548.SSE 00548.HKEX)

Group Structure



Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	**2012**	2011	Change as compared to last year	2010 (Restated)	2010 (Before restated)
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
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
Item (Unit: RMB)	**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

Item (Unit: RMB, unless otherwise stated)	**2012**	2011	Change as compared to last year	2010 (Restated)	2010 (Before restated)
Earnings per share – basic	**0.314**	0.401	-21.78%	0.342	0.342
Earnings per share excluding non-recurring items – basic	**0.303**	0.389	-21.78%	0.332	0.332
Earnings per share – diluted	**0.314**	0.401	-21.78%	0.342	0.342
Return on equity – weighted average (%)	**7.33%**	9.84%	Decrease 2.51 pct.pt	8.89%	8.89%
Return on equity excluding non-recurring items – weighted average (%)	**7.06%**	9.52%	Decrease 2.46 pct.pt	8.62%	8.62%

Description on the restatement:

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.

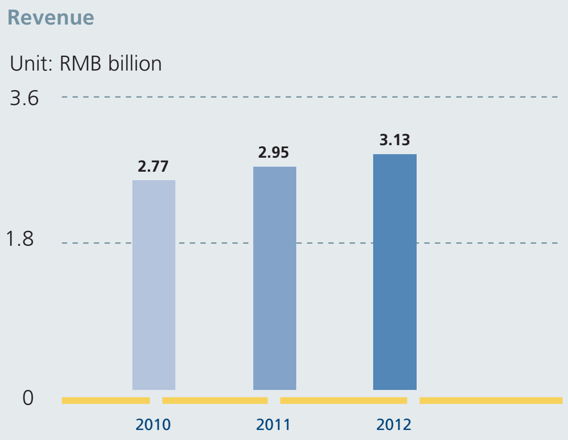
Non-recurring Items Deducted and Their Amounts:

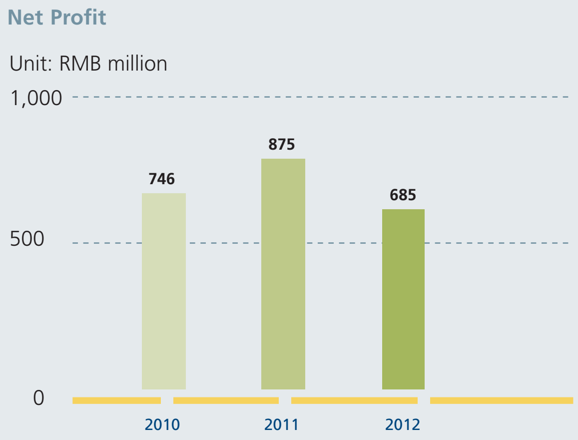
Non-recurring item (Unit: RMB)	**2012 (Note)**	2011	2010 (Restated)
Profit from entrusted operation management services	**16,990,200.00**	20,779,025.37	14,292,882.10
The amortisation of compensation provided by concession grantor	**13,749,423.41**	12,776,796.62	12,190,816.43
Investment income generated from disposal of joint venture	**450,000.00**	–	–
Other non-operating income and expenses	**(1,411,301.77)**	510,735.17	2,476,769.33
Effect on minority interests	**432,521.40**	(15,908.51)	(62,900.11)
Income tax effect	**(5,379,862.27)**	(6,320,971.76)	(6,399,424.49)
Total	**24,830,980.77**	27,729,676.89	22,498,143.26

Note: Details of these items are set out in Supplementary Information for Financial Statements in Chapter XI of this annual report

Items Measured at Fair Value:

Item (Unit: RMB)	As at 31 Dec 2011	**As at 31 Dec 2012**	Change during the Period	Impact on profit for the Period
Derivative liabilities	12,299,445.12	**16,070,892.42**	3,771,447.30	7,305,857.34





Financial and Operational Highlights

II. Statistics Summary for Last Five Years

1. Average Daily Traffic Volume

Unit: number of vehicles

Project	2012	2011	2010	2009	2008
Meiguan Expressway	**124,921**	118,976	117,244	98,318	92,744
Jihe East	**128,414**	118,215	111,530	93,019	90,991
Jihe West	**106,564**	99,390	91,111	72,800	67,661
Yanba Expressway	**28,563**	27,610	24,313	16,509	13,879
Yanpai Expressway	**41,473**	38,501	39,734	33,763	31,898
Nanguang Expressway	**58,715**	55,995	50,612	32,212	16,336
Shuiguan Expressway	**138,285**	124,714	134,561	118,064	106,241
Shuiguan Extension	**29,331**	31,941	40,485	32,294	28,181
Qinglian Expressway	**22,827**	21,445	18,292	16,011	N/A
Yangmao Expressway	**26,978**	23,477	20,066	17,795	18,119
Guangwu Project	**25,339**	23,089	17,475	11,190	9,806
Jiangzhong Project	**91,559**	90,270	68,476	50,899	45,344
GZ W2 Expressway	**34,796**	33,493	28,768	14,883	9,574
Wuhuang Expressway	**39,669**	37,856	38,034	32,412	29,140
Changsha Ring Road	**13,206**	9,516	8,558	7,342	6,020
Nanjing Third Bridge	**24,882**	23,293	22,057	20,029	18,334

2. Average Daily Toll Revenue

Unit: RMB'000

Project	2012	2011	2010	2009	2008
Meiguan Expressway	**875.6**	943.2	951.4	814.0	791.8
Jihe East	**1,239.9**	1,407.1	1,414.7	1,242.0	1,227.3
Jihe West	**1,079.8**	1,229.9	1,169.2	951.4	937.3
Yanba Expressway	**387.4**	369.3	335.4	213.4	195.6
Yanpai Expressway	**514.0**	463.8	428.6	382.6	407.0
Nanguang Expressway	**628.8**	589.0	523.5	302.9	176.0
Shuiguan Expressway	**1,204.5**	1,122.0	1,229.9	1,072.4	1,006.0
Shuiguan Extension	**155.5**	196.7	250.6	202.5	178.9
Qinglian Expressway	**1,460.6**	1,280.4	1,036.8	829.9	N/A
Yangmao Expressway	**1,326.2**	1,209.4	1,094.9	967.5	902.3
Guangwu Project	**681.3**	644.4	471.9	305.7	265.0
Jiangzhong Project	**931.6**	972.4	870.2	707.2	651.8
GZ W2 Expressway	**713.0**	740.0	672.3	471.0	301.5
Wuhuang Expressway	**1,170.4**	1,146.2	1,268.3	1,090.0	1,017.1
Changsha Ring Road	**119.4**	86.3	72.8	63.6	60.5
Nanjing Third Bridge	**894.7**	828.6	782.9	672.1	640.1

3. Financial Highlights

Item (Unit: RMB million, unless otherwise stated)	**2012**	2011	2010 (Restated)	2009 (Restated)	2008 (Restated)
Revenue	**3,135**	2,952	2,765	1,840	1,435
Of which: Toll revenue	**2,726**	2,716	2,615	1,733	1,357
Profit before interests and tax	**1,581**	1,755	1,517	1,091	933
Net profit	**685**	875	746	540	503
Net cash inflows from operating activities	**1,531**	1,508	1,887	1,012	1,184
Net cash inflows from operating activities and cash return on investments	**1,617**	1,633	2,041	1,253	1,488
Interest covered multiple (Times)	**2.42**	2.92	2.75	2.11	2.06
Earnings per share (RMB)	**0.314**	0.401	0.342	0.248	0.231
Cash interests per share (RMB)	**0.13**	0.16	0.16	0.12	0.12

Item (Unit: RMB million, unless otherwise stated)	**As at 31 Dec 2012**	As at 31 Dec 2011	As at 31 Dec 2010 (Restated)	As at 31 Dec 2009 (Restated)	As at 31 Dec 2008 (Restated)
Total assets	**24,209**	24,609	23,050	22,791	18,968
Total liabilities	**13,336**	14,111	13,076	13,346	10,742
Total equity	**10,873**	10,497	9,974	9,445	8,226
Debt-to-asset ratio (%)	**55.09%**	57.34%	56.73%	58.56%	56.63%
Gross liabilities-to-equity ratio (%)	**122.66%**	134.43%	131.10%	141.30%	130.58%
Net borrowings-to-equity ratio (%)	**79.18%**	82.99%	89.21%	99.62%	90.44%
Net assets per share (RMB)	**4.37**	4.22	3.97	3.75	3.21

◆ Description of principal financial ratios:

Profit before interests and tax = Net profit + Income tax expenses + Interest expenses

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

Interest covered multiple = Profit before interests and tax / Interest expenses

Debt-to-asset ratio = Total liabilities / Total assets

Gross liabilities-to-equity ratio = Total liabilities / Total equity

Net borrowings-to-equity ratio = (Total amount of borrowings – Cash and cash equivalents) / Total equity

Events of the Year

2012

JAN

- The appointment of the six session of the Board and the Supervisory Committee became effective.

MAR

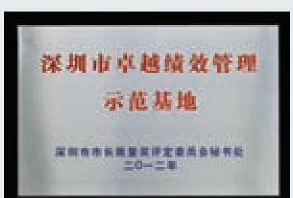
- Published 2011 annual results and a net profit of RMB875 million with earnings per share of RMB0.40 was recorded.

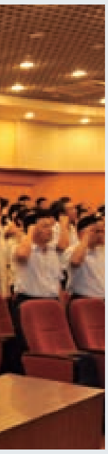
MAY

- Announced the dividend for the year 2011 with a final dividend of RMB0.16 per share.
- Approved the amendments to the Articles of Association and the relative rules of procedures at the general meeting.
- Made successful bids for the land use rights of land with total area of approximately 883 mu located in Guizhou Province.

JUN

- A unified toll fees standardisation has been implemented to all the expressway projects in Guangdong province. There were considerable negative impacts on the toll revenue of certain projects of the Group.





AUG

- Completed the re-appointment of Senior Management. The Senior Management remain stable.
- The section of Nanping (Phase II) from Tanglang Interchange to Nanguang Expressway opened to traffic.

SEP

- Approved the amendments to the Articles of Association at the general meeting and profit distribution policy of the Company was further improved.
- A toll free scheme for small passenger vehicles during major holidays was implemented in the country at the first time. During the period from 30 September to 7 October 2012, such scheme was adopted to all the expressway projects, which had negative impacts on the revenue and profit of the Group.

DEC

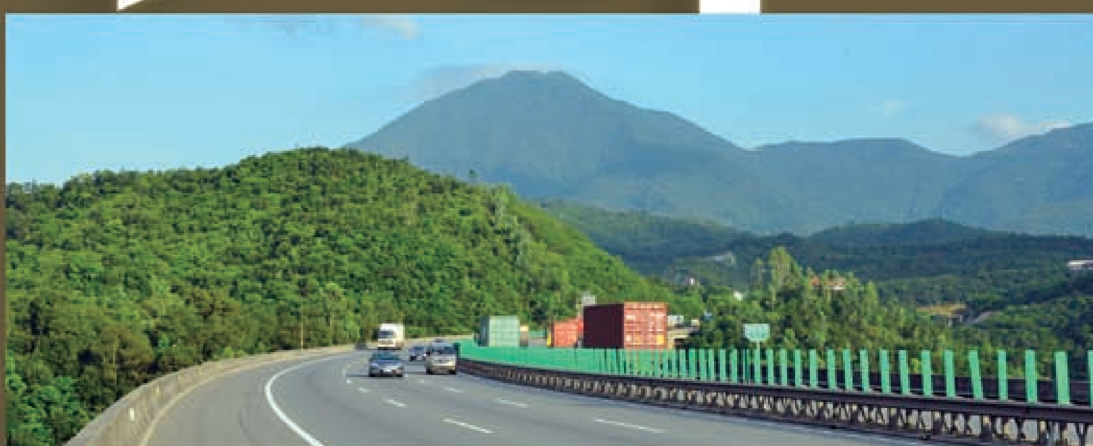
- Private placement notes of RMB800 million were issued.
- The whole understructure of Coastal Project was completed and the main part of this project has been joined up.

Chapter IV

Chairman's Statement

經驗／實踐深化

路



Chairman's Statement

To all shareholders,

On behalf of the Board, I hereby report to the shareholders that in 2012, the Group realised earnings of RMB685 million with earnings per share of RMB0.314. The Board recommended the payment of a final dividend of RMB0.13 per share in cash for 2012, amounting to 41.4% of earnings per share. The proposed dividend will be paid upon the approval at the 2012 Annual General Meeting.

In 2012, the slowdown of China's economic growth and the absence of sign for obvious recovery from other major economies in the world generally had negative impacts on the rapid growth of the traffic volume. Under these circumstances, the public criticism on toll highway industry and the subsequent changes in the industry policies definitely exerted greater pressure on the operation of the enterprises, for which not only did it have a direct impact on current revenues, but also increased the costs and brought more challenges on the management. The concern of investors on the expectation of the projects and the uncertainties on the evaluation are also silently changing the investment model and development trend of the whole industry.

Facing various adverse factors from external environment for operation, the management and all staff members of the Group have completed all tasks with a responsible manner and in a practical way, and tried to figure out solutions to overcome new challenges occurred in the operation and management and dedicated to achieve all management targets set at the beginning of the year.

In 2012, the Group continued to promote the inter-network toll collection in Guangdong province, enhanced the standardisation of and information collection for the operating management, strengthened the emergency response capability for peak-hour traffic and ensured the overall traffic capacity of the road network. Meanwhile, the Group endeavored to minimise the impacts caused from the implementation of the expansion works and maintenance works on the traffic capacity of highways through reasonable traffic organisation and construction plan.

The Group carried out maintenance works for the road surface of the whole Jihe East during the year and the main works were completed at the beginning of 2013, improving the comfortability and traffic capacity of the expressway. This is the first time for the Group to introduce the technology and technique of hot-recycling (熱再生) for road surface in a large-scale road maintenance project, which constituted a valuable example for the maintenance works of other expressways. The recycle of the materials from the surface of old roads not only reduces the resource consumption and realises the concepts of circular economy and environmental protection but also saves the cost, which helps achieve the management target of "maximising the maintenance benefits for the whole operation period".

For the construction management, our engineering staff insisted on the implementation of meticulous management for all sessions of the projects so as to ensure the achievement of various management targets such as quality, safety, progress and cost. For entrusted construction projects, the Company analysed and found out the key sessions and essential points through the organisation and management of the processes, which accumulated valuable experience for the business development. Meanwhile, the Company actively push forward the final audit and verification for the construction works, achieving the recovery of entrusted construction revenue for several projects.

Chairman's Statement

With the completion and operation of toll highway projects in succession, the Group commenced the investment evaluation on the projects in order. Through the review and assessment of the performance from the projects, the management was able to be timely aware of the changes in the values of the project and thus implemented scientific management and timely adjustment on our asset pool. For those underperformed projects, the Group also carried out an analysis on each factor that affect the performance and adopted targeted specific measures such as enhancing the promotion, optimising the guidance, reinforcing the cooperation and implementing directional marketing programs in order to actively attract traffic and gradually enhance road users' awareness and utilisation rate of such projects.

In 2012, the Group adopted a flexible but cautious financial strategy, duly conducted study on new financial instruments and their types, implemented a dynamic management on the liquidity, actively addressed the changes of finance environment, saved the financial resources and maintained the financial safety. Moreover, the Group also enhanced the planning and management of the funding and improved the financial risk warning mechanism, and played the decision making and support functions of the financial management well.

Under gradually negative public opinion and political environment, the Group maintained an ongoing communication with the government authorities and the investors to explain the situations we faced, bring up our requests and strive to make the government authorities to understand our situations and issues that the industry was facing, and ensured a smooth communication channel and full rights of knowledge for the investors of the Company. In the opinion of the Company, with a more scientific positioning, arranging and planning of the development trend of the industry and a more economic and efficient operation and management implemented by the members in the industry, the public would view and appraise the roles and functions of expressways in a more objective way. The future development trend of toll highway industry will be healthier and more sustainable only if these changes are also deemed as a review and improvement.

The Group actively explored and tried various business mix in order to diversify the industry risks amid the changes of operating environment. Currently, the Group has made certain achievements on the entrusted management and advertising business and is further studying the specific direction for the business development and the feasibility of business expansion. In 2011, the Group established Investment Company, and on the basis of pushing ahead the construction management of Guilong Project during the year, the Group participated in the bids for relevant land, and conducted an in-depth research and study on realising the land value from various aspects. As a strategic industry layout, we have to gain experience in practice and promote market awareness at this stage, and seek appropriate and sustainable business models through an ongoing review and conclusion so as to step forward the road of sustainable development. With an open-minded attitude, the management will look for opportunities and directions in favor of the Group's long-term development.

On behalf of the Company and its Board, I would like to express my gratitude to all staff members for their hard work and dedication, to all investors, customers and business partners for their trust and support. With concerted support from all parties, Shenzhen Expressway will seek for innovation and development while preserving our tradition in a transforming environment in order to build a brighter future.

Yang Hai
Chairman

Shenzhen, PRC, 22 March 2013

Chapter V

Management Discussion & Analysis

路

開拓／持續發展

Management Discussion & Analysis

Section 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:

			Average daily mixed traffic volume (number of vehicles in thousand)			Average daily toll revenue (RMB'000)		
Toll highway	Percentage of interests held by the Group	Percentage of revenues consolidated	**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. For the details of the operation periods for all toll highway projects, please refer to chapter XII of this annual report.

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.

Management Discussion & Analysis

Section 1 – Business Review

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. For details, please refer to point 2 "Enhancement of Business" below.

Reference information 1

The table below summarises and shows the effects of various factors such as policies and the changes in road networks on each project for reference:

	Affecting factor						
Toll highway	Policy – Standardisation Scheme	Policy – toll free on holidays	Policy – green passage	Policy – toll-by-weight	Change in road networks	Others	Change in average daily toll revenues (RMB'000)
Meiguan Expressway	↓	↓	↘		↓	Project expansion↓	– 67
Jihe East	↓	↓	↓			Project maintenance↓	– 167
Jihe West	↓	↓	↓			Jihe East maintenance↓	– 150
Yanba Expressway	↘	↓	↘	→		Regional economic activity↑	+ 18
Yanpai Expressway	↓	↓	↘		↑	Marketing measures↑ Port trade↑	+ 50
Nanguang Expressway	↘	↓	↘		↗↘	Marketing measures↑	+ 40
Shuiguan Expressway	↘	↓	↘		↓	Improvement in capacity↑	+ 82
Shuiguan Extension	↓	↓	↓		↓		– 42
Qinglian Expressway	↘	↓	↓		↑↓		+ 181
Yangmao Expressway	↘	↓	↓	↑		Economic development in peripheral area↑	+ 117
Guangwu Project	↓	↓	↓	↑			+ 37
Jiangzhong Project	↓	↓	↓		↗↘		+ 37
GZ W2 Expressway	↓	↓	↓				– 41
Wuhuang Expressway	Non-Guangdong province project	↓	↓		↑↓		+ 24
Changsha Ring Road	Non-Guangdong province project	↓	↓		↑	Adjustment of regional planning↑	+ 33
Nanjing Third Bridge	Non-Guangdong province project	↓	↓		↑↓		+ 66

↑: Positive effect ↗: Minor positive effect ↓: Negative effect ↘: Minor negative effect →: Neutral

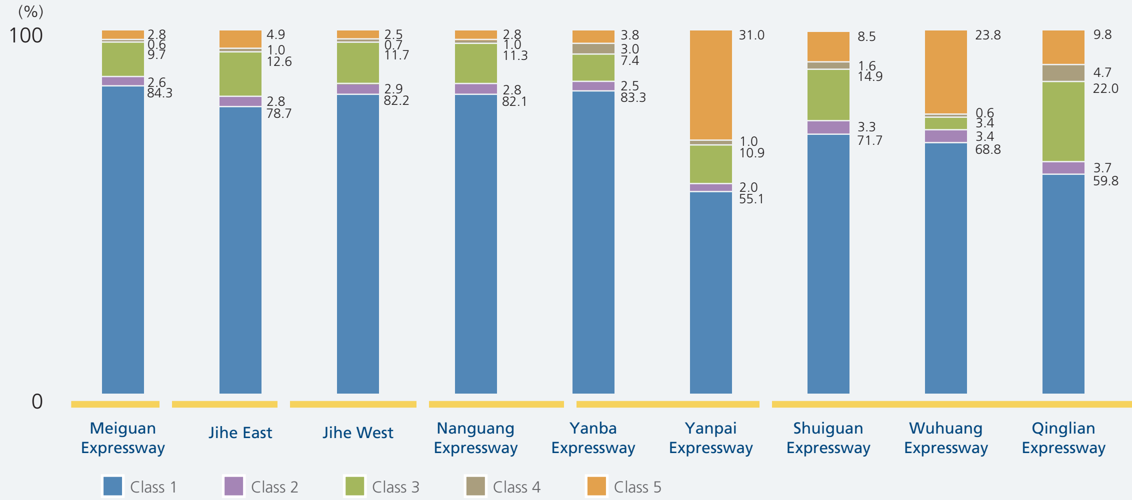
Management Discussion & Analysis

Section 1 – Business Review

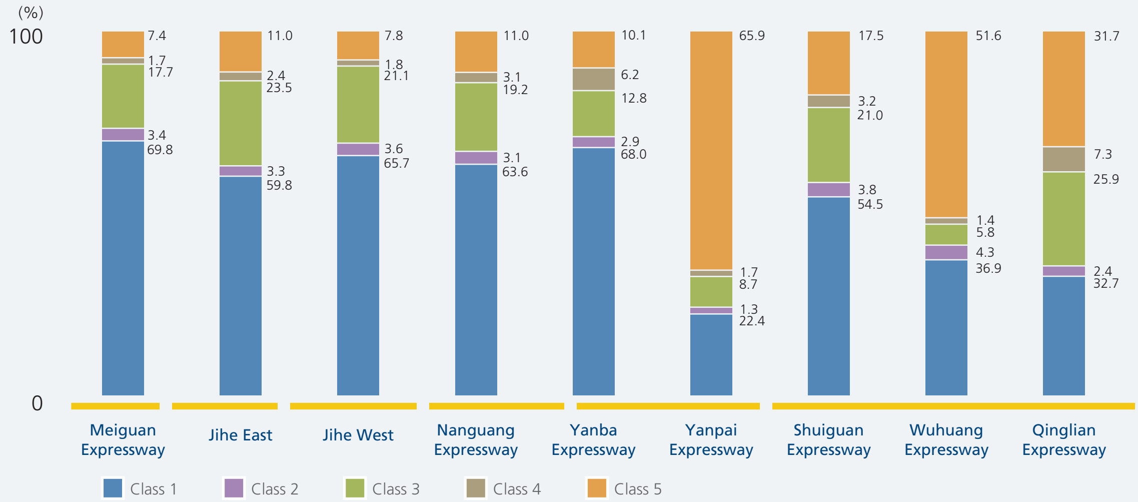
Reference information 2

There was no substantial charge on the vehicle category for each major highway project of the Group in 2012 as compared to that of last year. The following diagram shows the vehicle category of major highway projects of the Group during the Reporting Period:

Vehicle Category of Major Highways – by Traffic Volume



Vehicle Category of Major Highways – by Toll Revenue



2. *Enhancement of Business*

Strengthening the marketing and promotional activities and taking the initiative to attract traffic —

During the Reporting Period, the Group thoroughly analysed the neighboring road networks of such expressways as Qinglian Expressway, Nanguang Expressway and Yanpai Expressway and their traffic distribution and features and commenced targeted marketing campaign based on the results of the analysis. In addition, the Group further re-organised the road signs on all highways and relevant local roads to provide clear guidance to road users. The Group has also co-operated with such media as press, radio and television, and designed and distributed drivers' guides to help the public to get familiar with the layouts, the functional positioning and the routes of the projects to facilitate the improvement of the operational performance of each highway.

Promotion of inter-network toll collection, strengthening the emergency management and improvement of traffic capacity —

During the year, the Group completed the enhancement and upgrade of the hardware and software of toll collection system as scheduled, and closely tracked and inspected the operation of each section, timely held training programs for the business operation and actively coordinated with all related parties to carry out inter-network toll collection works in Guangdong Province together in order to ensure a smooth operation of toll collection system and an accurate and timely data division and protect the interest of each project and the Group as a whole.

In order to address the increasing traffic volume and the peak-hour traffic on the holidays and improve the traffic capacity, the Company has established and operated a peak-hour traffic divergence and emergency response management system. In 2012, the Company further reinforced the implementation and training of the emergency response management system and carried out a series of works such as review of the emergency plan for smooth traffic flow, overall coordination of emergent toll collection and follow-up evaluation of emergency response, ensuring a smooth and orderly operation of each expressway and key toll stations on the holidays, especially the period during which the Toll Free Scheme on Holidays was implemented for the first time in 2012.

During the Reporting Period, the Group has carried out the reconstruction and expansion works for North Section of Meiguan Expressway and the maintenance works for the road surface of Jihe East as scheduled. In view of this, the Group has formulated an emergency plan to prevent traffic congestion, strengthened the safety management and traffic diversion in the construction sites and implemented reasonable traffic organisation plan for relevant sections so as to minimise the impact of the construction on the traffic capacity.

Enhancement of road maintenance management, improvement of traffic capacity and assurance of traffic safety —

The Group conducts regular checks and routine inspections on the highways to timely monitor highway conditions and safety hazard, and adopts measures to eradicate or remedy any detected hazards or carries out maintenance and repair works to maintain the quality, safety and smoothness of the roads. In addition to the enhancement of daily maintenance of the roads, the Group also carried out the maintenance works for the road surface of Jihe East during the year and conducted a study and a test for the preventive maintenance program of Yanba Expressway. Through the practice, inspection, conclusion and promotion, we keep improving and optimising the models for road maintenance and strive to achieve the objective of "maximising the maintenance benefits for the whole operation period" while ensuring the traffic quality and enhancing the traffic capacity.

The Group carried out maintenance works for the road surface of the Jihe East during the year and this is the first time for the Group to introduce the technology of hot-in-place recycling (就地熱再生) in a large-scale road maintenance project. In order to minimise the risks, the Group has conducted a number of research and analysis, performed tests on this basis and timely improved and adjusted the construction designs based on the test results. The main maintenance works for Jihe East have been completed in January 2013, which helps effectively avoid the deterioration of road conditions and enhance the road utilisation and traffic capacity.

3. *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.

Management Discussion & Analysis

Section 1 – Business Review

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. Details of the contract and the revenues from the entrusted management service are set out in point 15 in Chapter 6 of this annual report and Section 2 Financial Analysis in this Chapter.

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.

Other Businesses —

In addition to the entrusted management business, the Company is engaged in the businesses of billboard leasing, advertising agency, design production and related services alongside the toll highways and toll stations through its wholly-owned Advertising Company. Recently, Advertising Company has further expanded its business scale and scope by putting more efforts on acquisition of high-quality outdoor advertising resources. Moreover, the Company holds 24% and 18% of interests in Consulting Company and Guangdong UETC by way of equity participation. The principal businesses of Consulting Company include project management consultancy, survey, design, engineering supervision, construction costs consultancy, tendering agency and test and inspection, and that of Guangdong UETC include electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sale of related products. During the year, each of the above business, in general, proceeded smoothly and met the Group's expectation. Limited by the scale of investment, the contribution from these businesses currently accounts for a small proportion of the Group's revenues and earnings.

For details of the profits and incomes and expenses of the entrusted management business and other businesses of the Company during the Reporting Period, please refer to Section 2 Financial Analysis in this Chapter and notes 5(30)b(i) and 7(5)a(ii) to the Financial Statements in Chapter XI of this annual report.

Management Discussion & Analysis

Section 2 – Financial Analysis

In 2012, the Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB684,527,000 (2011: RMB875,146,000), 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. Details are set out in note 5(30) to the Financial Statements.

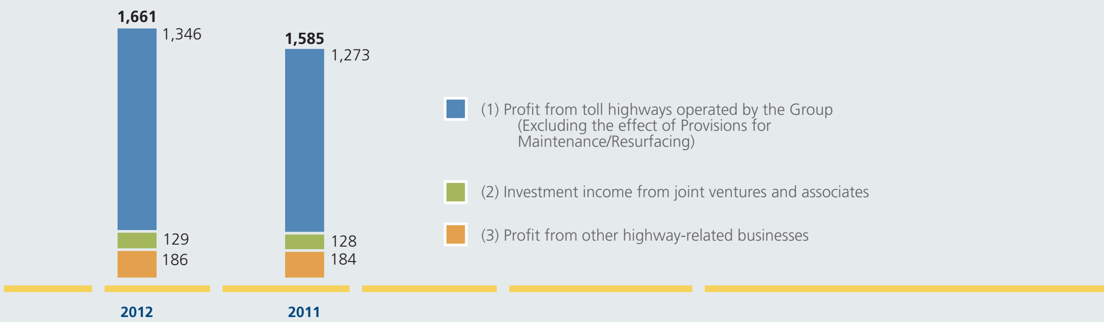
Cost of services item	**2012 (RMB'000)**	Percentage of total	2011 (RMB'000)	Percentage of total	Change
Cost of traffic services	**1,301,579**	86.16%	1,100,093	93.03%	18.32%
Cost for entrusted management services	**152,313**	10.08%	35,388	2.99%	330.41%
Cost for other business	**56,840**	3.76%	47,053	3.98%	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:

Profit before Interests, Tax and General and Administrative Expenses (Unit: RMB Million)



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 revenue		Cost of services (1)		Gross margin of traffic services		Profit before interests, tax and general and administrative expenses(1)	
Toll Highway	Percentage of interests held	**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%.

Management Discussion & Analysis

Section 2 – Financial Analysis

- 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. For detailed analysis on the operational performance of the projects during the Reporting Period, please refer to the content of Section 1 Business Review in this Chapter.

- 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 revenue		Cost of services		Gross margin		Investment income of the Group (Note)	
Toll highway	Percentage of interests held	**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. Details are set out in notes 5 (6) and (34) to the Financial Statements.

Management Discussion & Analysis

Section 2 – Financial Analysis

(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). Details are set out in notes 5(30)b(i) and 7(5)a(ii) to the Financial Statements in Chapter XI of this annual report. The analysis on the incomes and costs from the entrusted construction management services is as follows:

	Income		Cost		Profit from the entrusted construction management services	
Entrusted construction management services item	**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. Details are set out in note 5(30)b(i) to the Financial Statements in Chapter XI of this annual report.

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

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

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:

	Effect of Provisions for Maintenance/Resurfacing (RMB'000)	
Item	**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.

Management Discussion & Analysis

Section 2 – Financial Analysis

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. Details on this accounting policy and accounting estimates are set out in notes 2(17)(a) and 2(28)(a) to the Financial Statements in Chapter XI of this annual report.

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:

		Amortised amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of interests (RMB million)	
Toll highway	Percentage of interests held	**Units-of-usage method 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. Details of the YOY change in the items of other assets and liabilities which is over 30% during the Reporting Period are set out in the Supplementary Information 3 to the Financial Statements in Chapter XI of this annual report.

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

Management Discussion & Analysis

Section 2 – Financial Analysis

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%

4. *Contingencies*

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

III. Capital and Financing

1. *Capital Expenditure*

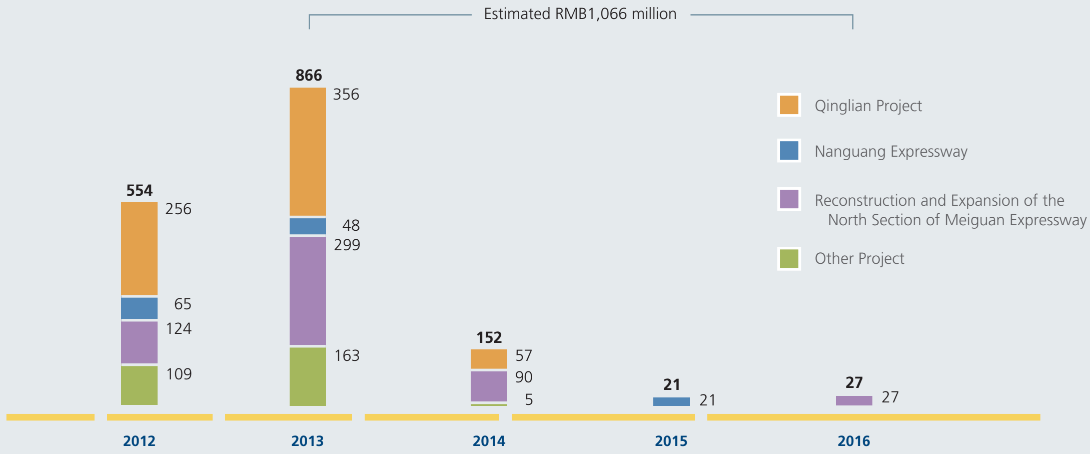
During the Reporting Period, the Group's capital expenditures mainly comprised the remaining construction investments and settlements of projects such as Qinglian Project and Nanguang Expressway, and the reconstruction and expansion for Meiguan Expressway, totaling approximately RMB554 million. The investments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



Management Discussion & Analysis

Section 2 – Financial Analysis

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. *Utilisation of the Proceeds*

In August 2011, the Company has completed the issue of corporate bonds in amount of RMB1.5 billion to the public. The utilisations of the proceeds are as follows:

Unit: RMB million

Year of fund raising	Subscription method	Total proceeds	Proceeds utilised during the year	Total amount of proceeds utilised	Proceeds unutilised	Uses and purposes for the proceeds unutilised
2011	Corporate bond	1,500	434	1,500	0	N/A
Overall information on utilisation of the proceeds			RMB800 million was utilised for replenishing the working capital of the Company and/or its subsidiaries and RMB700 million was utilised for repayment of the existing borrowings of the Company, which were in line with the purposes as committed in the prospectus.			

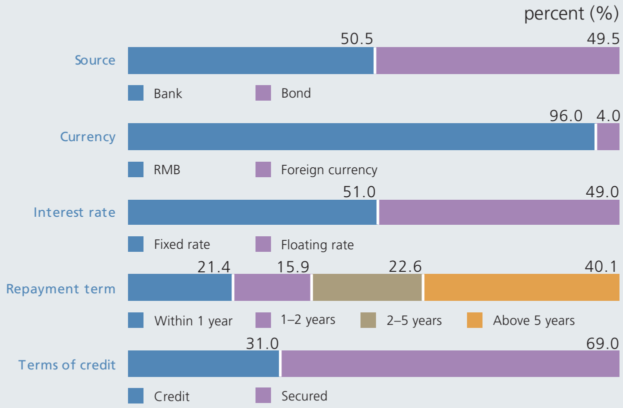
As the Group has stable and ample operating cash flow and sufficient banking facilities, the Directors are of view that the Group's financial resources and financing capability are sufficient for satisfying the needs of payment of the principal and interests of bonds upon maturity in the future.

4. *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.

Borrowing Structure (As at 31 December 2012)



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.

IV. Particulars of Major Subsidiaries and Participating Companies

Units: RMB'000 unless otherwise stated

			31 December 2012		2012			
Company name	Percentage of interests held by the Group	Registered capital (in thousands)	Total assets	Net assets	Revenue	Operating profit	Net profit/ (Net loss)	Principal business
Meiguan Company	100%	332,400	1,008,031	643,967	320,586	208,725	156,471	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,806,008	1,877,443	461,330	211,196	158,080	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK$795,381	1,271,633	1,115,864	-	51,918	51,918	Indirectly holding 25% interests in Qinglian Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,105,960	9,567,191	3,098,165	540,226	-178,651	-139,316	Construction, operation and management of Qinglian Expressway and Qinglian Class 2 Road and auxiliary facilities
JEL Company/ Magerk Company	55%	US$28,000	1,224,715	1,008,366	460,916	222,143	166,586	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	40%	324,000	2,102,825	604,825	445,744	190,362	144,394	Development, construction, toll collection and management of Shuiguan Expressway

During the Reporting Period, Meiguan Company recorded a relatively substantial YOY increase in net profit which were resulted from the non-recurring expenses amounting to approximately RMB115,000,000 for the road surface maintenance work on the South Section of Meiguan Expressway last year. For the operational and financial performance of the major subsidiaries and participating companies mentioned above and the toll highways operated by the aforesaid companies during the Reporting Period, please refer to Section 1 Business Review in this Chapter and other relevant parts of this section.

Management Discussion & Analysis

Section 3 – Risk Management

An enhancement of risk management and active and systematic identification, assessment and response to risk issues occurred in the operation process can improve the management capability and adaptability of an enterprise, and ensure the realisation of the business objectives and a sustainable growth. In recent years, in order to support the rapid business growth of the Company, risk management has been gradually applied in all activities of the Company, including strategy making, planning, decision-making and operations. During the year, the Company focused on and proactively took responsive measures to such internal and external risk issues as Policy, Market, Business Expansion, and Investment, Financial, Operation and Construction Management.

I. Policy Risks

Risk Analysis and Risk Position

According to the Notice on Implementation of Specific Clean-Up Work for Toll Highways issued by five ministries of commissions including Ministry of Transport, all local governments have carried out surveys and issued implementation plans on such matters as toll collection methods, toll collection standards and the expiry dates of operation periods of toll highways since the second half of 2011. It is expected that the modification of relevant policies will have direct impact on the profit and the operating management mode of the Company. Moreover, the local governments from time to time issues or specifies the policy, regulations and management requirements relating to highway management such as toll-by-weight, inter-network toll collection and the specification of the lighting system and the monitoring system, which may affect or change the investment plan, cost structures and management models of the projects.

A unified toll fees standardisation has been implemented in Guangdong Province since 1 June 2012 and the Toll Free Scheme on Holidays for small passenger cars has also been officially implemented nationwide during Mid-Autumn Festival and National Day in 2012. These measures adversely affected the revenue and net profit of the Group for 2012. For details, please refer to Section 1 Business review above. In addition, the operation period of Nanjing Third Bridge was re-approved to be 25 years, which was previously approved to be 30 years, which would affect the valuation of the project and the investment income of the Group in the future.

Risk Management and Response Measures

During the year, the Group took the following measures in response to the policy changes for an attempt to mitigate as much negative impact arising therefrom as possible:

- A thorough understanding of the policy requirements, and adequate communication and coordination with the government authorities in order to clarify the expectations of the Company and investors as far as possible and recommend a reasonable working plan to strive to protect the interests of the Company.

- Marketing activities with focus on the advantages of the road network and enhanced promotion and publicity to attract traffic.

- The establishment and operation of a peak-hour traffic divergence and emergency response management system for timely and effective traffic divergence, an enhancement of the traffic capacity of the road networks, reduction of as much loss of revenue as possible and a smooth and safe traffic flow during holidays and peak-hours.

- Adoption of more conservative and prudent principles on the evaluation and decision making for the investment in toll highways and an attempt to diversify industry and policy risks through various business mix.

II. Market Risks

Risk Analysis and Risk Position

The enhancement of highway network, the renovation of surrounding roads, the construction of the project itself and implementation of traffic organisation planned by the Government will lead to changes in distribution of traffic within the road network, and thus may cause positive or negative impact on the results of the toll highways. Although the Company has made advanced study, reasonable prediction and response measures, it might be possible for the projects or even the Group not to achieve the desired operating performance, if it exists deviation between the prediction and the actual progress of the relevant projects. For the impacts of the changes on the road networks, please refer to Section 1 Business review above.

Risk Management and Response Measures

To cope with the implementation of the restricted access measure for heavy transport vehicles as a result of the maintenance and repair works for the bridge of Guangzhou – Qingyuan Expressway, the Group has enhanced the communication between the Government and the project companies, continued to follow up the progress and the plan of the projects, and adopted reasonable methods to facilitate the progress of the works. Meanwhile, the Group carried out surveys and studies on neighboring road networks to seek for alternative routes and distributed drivers' guides for the divergence of the traffic flow.

With regard to the expansion works for Meiguan Expressway and the maintenance works for Jihe East, the Group mitigated the impact on the operation caused by the construction works through the formulation of a reasonable construction and traffic organisation plan.

During the year, the Group continued to keep an eye on the changes of road networks within the region, such as enhanced municipal road networks, close of toll stations, implementation of traffic organisation plans by the government and the open for traffic of the parallel roads. We timely analysed their impacts on the projects of the Group and formulated targeted marketing measures and enhanced publicity effort to attract more road users to use the roads within the road network.

III. Business Expansion Risks

Risk Analysis and Risk Position

According to the overall strategies of the Company, the Group has already commenced Guilong Project and participated in the road construction and the primary development of the neighboring land on "build – transfer" (BT) mode. The recovery of the funds and the amount of revenues from the project are determined on the transfer of relevant parcels of land and the realisation of its value. If the entrusting party failed to obtain the land index, or such matters as the arrangement and conditions for land transfer and market environment underwent material changes, the earnings of the project and the safety of the capital would be affected.

Also, as there were differences between the business model of the BT business and related land development and that of the toll highway business, if the Company's capability on capturing the market opportunities, business experience, management model and human resources fail to bridge the difference, the expansion into new business and the overall performance of the Group may be affected.

Risk Management and Response Measures

To ensure the smooth progress of Guilong Project, the Group closely kept an eye on the update of the policies and the regulations, maintained active and effective communication with all parties, assisted the local government in the finalisation of related land use index and the progress of land transfer as soon as possible and closely followed up each step of the examination and approval procedures for fund recovery. As at the end of the Reporting Period, the first phase of the land transfer was completed, and the Group has received from the entrusting party a total amount of RMB256 million for the reimbursement of land requisition, demolition and relocation and the payment for road construction funds in accordance with the terms of the agreement.

During the year, the Group won the bid for the land use right of an area of approximately 883 mu within the development area of Guilong Project in a public auction, and conducted a thorough study on the feasibility and merits and demerits of various methods to realise the land value such as transfer, co-operation development and self-development and the comprehensive effect on the Group, which laid a solid foundation for the formulation of the next business plan.

In response of the needs of business development, the Company formed a dedicated team for the project management and initially established a supporting incentive regime and appraisal and accountability system. During the year, the Group also engaged experts and consultants and provided more training to the staff members in order to form a professional management team and establish a scientific management system for the avoidance of management risks.

Management Discussion & Analysis

Section 3 – Risk Management

IV. Investment Risks

Risk Analysis and Risk Position

The Company has held several rounds of negotiation with the Government for the plan of toll rate adjustment model of the South Section of Meiguan Expressway, but no specific plan has been finalised yet. The reasonableness of the related arrangements and the smoothness of the implementation would affect to a certain extent the realisation of investment income and the management target of the Company. The Government then conducted a study on the repurchase of the whole Meiguan Expressway, which increased the uncertainties of the final decision and the difficulty to the progress. Moreover, the Company has an pre-emptive right for the development of Outer Ring Expressway. However, the project requires large scale of investment, of which the return may not meet the Company's expectation, and has uncertainty of increased financial risks to the Company.

Risk Management and Response Measures

With regard to the toll rate adjustment model of the South Section or the whole of Meiguan Expressway, the Company has engaged a traffic flow consultant to prepare a report on the forecasting of traffic flow, and conducted a specific study with an evaluation institute and a legal advisor on such issues as arrangement on the compensation and taxation, framework agreements, staff deployment and transfer of assets and informed the relevant government authorities of the general principles for compensation as a preparation for the subsequent negotiations. Due to the wide coverage and the complication of the approval procedures, no detailed plan has been formulated.

During the year, the Company continued to thoroughly carry out the study on Outer Ring Expressway and maintained active communication with the government authorities. Currently, the investment model and the development plan of the project have not yet been finalised.

The Company will continue to improve the implementation plan for the projects and actively negotiate with the government authorities to make efforts to achieve a win-win situation for the benefits of the Company, the Shareholders, the Public and the Government.

V. Financial Risks

Risk Analysis and Risk Position

In 2012, as the deposit reserve rate and the interest rates for deposit and lending were lowered for several times, the external financing environment was generally more relaxed compared with that in last year. However, the use of the funds from credit and related financing instruments continued to be strictly controlled, and the credit policies of the financial institutions on the toll highway industry was tightened as the specific clean-up works were carried out in this industry. Meanwhile, the Group will face a greater pressure from the concentration of repayment of loans as the Company's liabilities remain at a higher level, of which the bonds with the principal of RMB2.2 billion will become mature respectively in 2013, which will increase the challenge and borrowing cost for financing. With the loans and bonds at fixed rates becoming mature, the costs for new and displaced loans became higher, increasing the overall borrowing costs of the Group. In addition, as the borrowing of Qinglian Company has exceeded more than half of the Group's total borrowings and its maturity date is approaching, it may face a challenge relating to the turnover of capital in the case that the balance of payment and the source of funding of the project could not meet the expectation or not be arranged as scheduled.

Risk Management and Response Measures

The Group has taken various feasible measures in response of the changes in external environment and the demand of internal working capital so as to control the financial risks and financial cost. The specific measures include the following:

- Timely notice of the changes in credit policies and market environment in order to identify the risks and make tailor-made adjustment on the financial strategies; reinforcement of the communication with the market to maintain the credit rating of the Group.

- Continuous improvement of the debt structure and maintenance of relatively adequate reserve of funding; pre-repayment or displacement of loans by phases to ease the pressure of concentration of repayment of loans.

- Maintenance effective credit limit at modest scale and actively carrying out study on the plan for obtaining financing in capital markets. In 2012, the Company issued RMB800 million of private placement debt financing instruments and prepared a number of subsequent financing plans to ease the pressure of debt payment. Moreover, under the Company's coordination and arrangement, specific financing facilities for the expansion works for Meiguan Expressway, road surface maintenance works of Jihe East and Guilong Project have been granted by the banks, widening the financing channels of the Group.

- Reinforcement of the financial risk warning mechanism, strengthening the planning and management of the use of the funds, focus on a dynamic management and control on the cash flow of Qinglian Company and Investment Company and enhancement of the efficiency use of the funds and avoidance of the risk of turnover of capital.

As at the end of the Reporting Period, the unutilised banking facilities available for the Group amounted to RMB5.9 billion. During the year, the Group remains solvent and is able to repay its debts as they fell due. The Group's average borrowing cost and out-of-pocket cost of capital were 5.75% and 5.16% respectively.

VI. Operation and Management Risks

Risk Analysis and Risk Position

In 2012, Guangdong Provincial Government continued to promote the Inter-network Toll Collection for the expressways in the province. The expansion of the toll collection network called for a higher standard on the quality of network communication, stability and response capability of the computer system and accuracy and timeliness of the bank settlement system. Moreover, upon the expansion of the toll collection network, the extent and degree of the seriousness of such toll evading incidents as gate crashing and fake cards and free pass as a result of improper management have increased, resulting in a higher possibility of decrease of toll income.

The operators of toll highways are responsible to maintain the road capacity and arrange the traffic safety facilities based on certain technological standards, and take necessary measures when traffic accidents or other contingencies occur. The Government of Shenzhen City has implemented "Traffic Safety Management Regulations of the Shenzhen Special Economic Zone (《深圳經濟特區道路交通安全管理條例》)" since 2012, which stipulated higher standards on traffic safety facilities, management mechanism, supervision system and the quality of services. The related requirements will increase the investment and management cost of the project. However, failure to comply the requirements may result in penalties which in turn will have an adverse effect on the Company's image and reputation in the market. In addition, in the case of the occurrence of traffic safety accidents, if there are disputes between the Group and the road users on the determination of the liability, it may cause complaints or even legal disputes, bringing a negative impact on the Group.

Risk Management and Response Measures

In order to address the business management risk brought from the Inter-network Toll Collection, the Company established a efficient communication mechanism with the competent transport department, commodity price department, various toll highway operators in the road network, management organisation for Inter-network Toll Collection and banks, actively coordinated the issues relating to Inter-network Toll Collection and timely discovered and solved the irregularities. The stability of the system is maintained through such measures as the reinforcement of daily maintenance of the mechanical and electrical equipment and timely troubleshooting, upgrade of ageing equipment, improvement of the lighting proof equipment and all plant rooms and the use of dual CPU hot-standby redundancy for the main exchange in the centre. Meanwhile, the Company formulated a rectifiable scheme and carried out specific actions against toll evading incidents with the law enforcement departments in order to minimise the loss of toll.

For the traffic safety management, the Company has formulated a work plan in response of the latest management regulations implemented in Shenzhen City, strengthened the communication with the competent government authorities and planned to implement these regulations in phases. The Company also strengthened the road surface maintenance and road inspections in daily management in order to timely repair the worn-out road surface, clear the road obstacles, eliminate the possible hidden damages and keep tracking record. Meanwhile, the Company further standardised the safety and protection facilities for traffic accidents and timely issued warning information on traffic accident through efficient channels. Moreover, the Company also held adequate training programs for the staff members to help them handle complaints in an appropriate way.

Management Discussion & Analysis

Section 3 – Risk Management

VII. Road Construction Management Risks

Risk Analysis and Risk Position

As affected by various factors such as price fluctuation of the construction materials, tightening standards and increasing difficulties relating to land requisition, demolition and relocation, changes in design, issue of new policies and technological specifications, and changes of development plan by the government, both self-owned and entrusted construction projects of the Company may face the risk of cost increase and delay of construction schedules. In addition, as the project construction has entered its peak period, the demand for project quality and safety management are intensified, which, from an objective point of view, increased the management risks.

In respect of the entrusted management, if the government fails to examine and approve the project budget as scheduled or the result of the examination fails to meet the Company's expectation, it would cause more uncertainties to the Company in estimating its revenues. The progress of the audit on the accounts for the completion of the project by the government will also affect the realisation of revenues from the entrusted construction and the recovery of cash.

Risk Management and Response Measures

According to the construction features and management requirements of various construction projects, the construction management department sorted out the project focuses and difficulties, reasonably optimised the project design, strictly performed the contracts, implemented various management systems as well as incentives and penalties and refined and improved the measured payment control measures in order to achieve the dynamic cost control and management objectives. Meanwhile, the Company expressly specified the materials spreads and price adjustment methods in relation to entrusted construction contracts and construction contracts in order to reduce or transfer part of the risks of construction cost.

The Company, through contractual arrangements, procured the construction companies to strengthen the planning of the construction and increase the contribution of resources, and maintained close communication and coordination with relevant government authorities in order to eliminate the uncertainties which affected the construction and actively continued to carry out the projects. Currently, most of the construction works of Section B of Nanping (Phase II) are not ready to be commenced as affected by the government's planning. The Company will continue to keep an eye on its progress.

In respect of the quality and safety management, the Company strictly implemented the management procedures, strengthened the inspection of on-site materials, test management, standardised production operations and safety management, held related training programs and developed contingency plans in order to achieve the management objectives.

For the entrusted projects, the Company communicated actively with relevant government authorities in order to complete the confirmation procedures for the approval of the budget and the changes in the construction as soon as possible to minimise the construction risks. Moreover, through the improvement of the timeliness of the budget audit and cost audit and the settlement for each construction work, the Company reduced the audit works upon the completion of the projects and the risks of uncertainties of the settlement of the entrusted construction. Currently, most of the entrusted revenues from Nanping (Phase I) and the entrusted revenues from Shenyun Project are recovered. The progress and the results of the entrusted projects carried out by the Company meet our expectation, and we are not aware of any risks of significant loss and default.

Management Discussion & Analysis

Section 4 – 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. For details, please refer to the specific information set out in Section 1 in this Chapter. 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.

Management Discussion & Analysis

Section 4 – Outlook and Plans

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

Road Network of 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.

Management Discussion & Analysis

Section 4 – Outlook and Plans

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.

Report of the Directors and Significant Events

The Board is pleased to present herewith the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2012.

1. Principal Activities

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

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

2. Major Customers and Suppliers

Given the nature of the business of the Group, there is normally no major sales or purchase in relation to its ordinary course of business. During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted for no more than 30% of the Group's total revenue and total amount of purchases, respectively. For details thereof, please refer to the Financial Analysis in Chapter V of this annual report. No further disclosure in respect of its major customers and suppliers is to be made by the Group.

3. Financial Results

The results of the Group for the year ended 31 December 2012 are set out in Consolidated Income Statement in Chapter XI of this annual report.

The financial positions of the Group and the Company as at 31 December 2012 are set out in Consolidated Balance Sheet and Balance Sheet in Chapter XI of this annual report.

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

4. Profit Distribution and Final Dividends

(1) Proposed profit distribution for 2012

Pursuant to the requirement under《上海證券交易所上市公司現金分紅指引》("Guidelines on Cash Dividend Distribution by Companies Listed on SSE"), profit distributable shall be calculated based on that in the financial statements of the parent company, and thus, profit distributable of the Company for the year 2012 was RMB693,700,673.85.

Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB69,370,067.39 to statutory surplus reserve for the year 2012. The Board of the Company recommended the payment of a final dividend of RMB0.13 (tax included) per share in cash to all shareholders, totaling RMB283,500,142.38, for the year ended 31 December 2012, representing 41.42% of the net profit as shown in the consolidated financial statements for the year 2012 and the balance be carried forward to next year. The Board did not recommend any conversion of capital reserve into share capital. Such proposal is to be approved by shareholders at the 2012 Annual General Meeting of the Company.

The proposal/scheme of profit distribution and conversion of capital reserve into share capital of the Company in recent three years were as follows:

(Unit: RMB)	**2012**	2011	2010
Proposal/scheme of profit distribution			
– Share dividend per share	**Nil**	Nil	Nil
– Cash dividend per share (including tax)	**0.13**	0.16	0.16
– Total cash dividend (including tax)	**283,500,142.38**	348,923,252.16	348,923,252.16
– Net profit attributable to owners of the Company	**684,526,701.99**	875,146,104.56	745,806,530.62
– Cash dividend-to-net profit ratio	**41.4%**	39.9%	46.8%
Proposal/scheme of conversion of capital reserve into share capital	**Nil**	Nil	Nil

Report of the Directors and Significant Events

(2) Profit distribution policy

The Company has always adhered to principle of rewarding its shareholders and paid cash dividend for 15 consecutive years since its listing. In August 2012, the Board approved the Assessment Report on Shareholder Return Planning, and accordingly proposed the amendment to the Articles of Association, with a view to further optimising the policy and details of profit distribution, specifically clarifying the decision-making procedures and mechanisms on profit distribution. The Independent Directors of the Company has issued an independent opinion on the formulating and optimising of the profit distribution policy. The amendment was approved at the First Extraordinary General Meeting 2012 of the Company by way of special resolution on 20 September 2012. For details thereof, please refer to the announcements of the Company dated 3 August and 20 September 2012.

Pursuant to the Articles of Association, the Company will continue to implement the profit distribution policy of cash dividend actively and has a clear standard on cash dividend distribution and the minimum proportion of annual dividend. Any modification by the Company to the profit distribution policy or failure of the Company in formulating or implementing the profit distribution proposal in accordance with the policy shall be proposed and considered at the general meeting as a special resolution. In the course of formulation of and determination on the profit distribution policy and the profit distribution proposal, the Company is able to listen to the opinions of the Independent Directors and the shareholders from various channels, and fully concerns the requests and legal interests of the minority investors.

5. Share Capital

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

6. 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.

7. Rating and Interest Payment for Listed Bonds

In May 2012, 中誠信國際信用評級有限責任公司 (China Chengxin International Credit Rating Co., Ltd.) conducted a follow-up debt credit rating for the bonds named "07 Shenzhen Expressway Bond" issued by the Company, and the existing credit rating of AAA was maintained. In October 2012, the Company completed the payment of interests for the year on schedule as stipulated. An interest of RMB10 (tax included) was paid for each lot of "07 Shenzhen Expressway Bond" (with par value of RMB1,000).

In April 2012, 中誠信證券評估有限公司 (China Chengxin Securities Rating Co., Ltd.) conducted a follow-up debt credit rating for the bonds named "11 Shenzhen Expressway" issued by the Company, and the existing credit rating of AA+ was maintained. In July 2012, the Company completed the payment of interests for the year on schedule as stipulated. An interest of RMB60 (tax included) was paid for each lot of "11 Shenzhen Expressway" (with par value of RMB1,000).

8. Pre-emptive Rights

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

9. Reserves

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

10. Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group and the Company during the Reporting Period are set out in notes 5(8), 13(5) and 5(10), 13(7) to the Financial Statements in Chapter XI of this annual report respectively.

11. Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in notes 5(12), 5(21), 5(22), 5(23) and 13(9) to the Financial Statements in Chapter XI of this annual report.

12. Subsidiaries and Joint Ventures

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

13. Directors, Supervisors and Senior Management

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

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

(3) Directors' service contracts:

Each of the Directors has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are effective from 1 January 2012 to 31 December 2014. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

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

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

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

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

14. Disclosure of Interests of Directors, Supervisors and Senior Management (pursuant to the requirements of the Listing Rules of HKEx)

As at 31 December 2012, the interests or short positions of the Directors, the Supervisors or the senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 31 December 2012	Change during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Li Jing Qi	8,000,000	Nil	0.05%	Personal	Beneficial owner

Report of the Directors and Significant Events

Interests in share option of Shenzhen International:

Name	Share option unexercised as at 31 December 2012[Note]	Change during the Period	Nature of Interests	Capacity
Yang Hai	14,300,000	Nil	Personal	Beneficial owner
Li Jing Qi	17,000,000	Nil	Personal	Beneficial owner
Zhao Jun Rong	14,300,000	Nil	Personal	Beneficial owner
Tse Yat Hong	14,300,000	Nil	Personal	Beneficial owner
Zhong Shan Qun	14,300,000	Nil	Personal	Beneficial owner

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

Saved as disclosed above, as at 31 December 2012, none of the Directors, the Supervisors or the senior management had interests or short positions defined above.

15. Significant Connected Transaction

(1) During the Reporting Period, there is no significant connected transaction occurred by the Company or its subsidiaries.

(2) Pursuant to the Listing Rules of HKEx, the continuing connected transaction was disclosed as follows:

On 29 December 2011, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2012 and expired on 31 December 2013. The entrusted management fees are RMB18 million per year and will be paid in cash by Baotong Company by installments to the Company. Longda Company is principally engaged in toll collection, maintenance, management of the road asset and its rights, and resources development of Longda Expressway. For details thereof, please refer to the announcement of the Company dated 29 December 2011. The Independent Directors of the Company had taken annual review on this continuing connected transaction and confirmed that the transaction was on normal commercial terms in the ordinary and usual course of business of the Company, and during the Reporting Period the transaction was in accordance with the entrusted management agreement and that the terms are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. The auditors of the Company had reviewed this continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and provided a letter on the matters described in Rule 14A.38 of the Listing Rules of HKEx.

Save as disclosed above, the related party transactions disclosed in note 7(5) to the Financial Statements in Chapter XI of this annual report are either connected transactions or continuing connected transactions fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.31(2), 14A.31(6) and 14A.33(3) of the Listing Rules of HKEx or do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules of HKEx. The Company does not have any other matters that need to be disclosed under Chapter 14A of the Listing Rules of HKEx.

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

During the Reporting Period, there is no non-operating fund occupancy by the controlling shareholders and its connected parties arising in the Company. The auditors of the Company have produced specific reports in relation to the sheet of fund occupancy by the controlling shareholders and other connected parties prepared by the Company in accordance with regulations.

16. Management Contract

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

For the year of 2012, the amount of entrusted management fees and net profit accounted for by Magerk Company was RMB116,071,000 and RMB166,586,000 respectively. After deducting minority interests, the net profit attributable to the Group of Magerk Company was RMB91,622,000, representing 13.38% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the financial position and operating results of the Group.

17. Mortgage and Pledge of Assets

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

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

Notes:

(1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Qinglian Company was RMB4,342 million.

(2) As at the end of the Reporting Period, the balance of such loans used by the Company was RMB565 million.

(3) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of loans used by Mei Wah Company under such facilities was HK$170 million, and the outstanding principal of loans for which the Group had arranged swap was HK$357 million.

Report of the Directors and Significant Events

18. External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)						
Name of the guaranteed	Date of occurrence (date of agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Completed or not	Guarantee for connected party or not
China Construction Bank Shenzhen Branch	2007-4-20	800	Counter-guarantee (2)	From August 2007 until repayment of corporate bonds of the Company (principal and interests)	No	No
Agricultural Bank of China Shenzhen Branch	2008-7-11	1,500	Counter-guarantee (2)	From February 2009 until repayment of the Bonds with Warrants (principal and interests)	No	No
Industrial and Commercial Bank of China Shenzhen Branch	2010-9-17	HK$220.5 (3)	Counter-guarantee (3)	Upon the relief of guarantee bank's liability and until repayment of liability (if any) under the agreement	No	No
Total amount of guarantees occurred during the Reporting Period					0	
Total balance of guarantees as at the end of the Reporting Period					2,478.79	
Guarantees for subsidiaries of the Company						
Total amount of guarantees occurred for subsidiaries during the Reporting Period					0	
Total balance of guarantees for subsidiaries as at the end of the Reporting Period					0	
Total amount of guarantees of the Company (including guarantees for subsidiaries)						
Total amount of guarantees					2,478.79	
Proportion of total amount of guarantees to the net assets of the Company					25.99%	
Including:						
Amount of the guarantees for shareholders, de-facto controller and their connected parties					0	
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70%					2,478.79	
Amount of the guarantees exceed 50% of net assets of the Company					0	
Total amount of the above three guarantees					2,478.79	

Notes:

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

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

(3) As for the financing needs in Hong Kong, Mei Wah Company, a wholly-owned subsidiary of the Company accepted the guarantee provided by the Industrial and Commercial Bank of China Limited (Shenzhen Branch) with the total amount not exceeding HK$645 million. The Company provided credit counter-guarantee for the bank which provided guarantee. As at the end of the Reporting Period, the guarantees accepted by Mei Wah Company was HK$220.5 million, equivalent to approximately RMB178.8 million.

As approved by the Board, the Company entered into agreements on 10 January 2013 with relevant banks, pursuant to which the Company provided guarantees with joint liability in proportion of 70% for the bank loans and debt under credit facilities of Guishen Company which is a subsidiary of the Company. The total amount of debt principal guaranteed is not more than RMB800 million. As at the date of this report, Guishen Company had respectively applied for bank loans of RMB300 million from China Merchants Bank and credit facilities of RMB500 million from Ping An Bank, which had been approved.

The Company has no external guarantee in violation of decision-making procedures. The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered specific explanations and independent opinions in relation to the external guarantees of the Company.

19. Other Agreements and Matters

The Group and cooperation partner of Qinglian Company entered into an agreement in April 2010 to make additional capital contribution of RMB1.9 billion in proportion to their shareholdings. As at the end of the Reporting Period, the related additional capital contribution has been completed. For details thereof, please refer to note 9(3) to the Financial Statements.

Save as disclosed in this report, the Company did not enter into any contract in respect of the management and administration of its overall business or any material business, nor did it enter into any other material contract in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period. During the Reporting Period, there is no material litigation or arbitration matter, matter which the media generally questioned, or bankruptcy and reorganisation in connection with the Company, nor is there any material acquisition, sale or business combination by the Company or implementation of share option incentive scheme. In addition, there was no such matter subsisting during the Reporting Period.

20. Undertakings

(1) The shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding in the Company, have undertaken in the promoters' agreement in January 1997 that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. The Company did not notice violation of such undertakings by the above two major shareholders up to the end of the Reporting Period.

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

(3) Shenzhen International made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and June 2011 respectively. The undertakings include that Shenzhen International shall inject its highway assets into the Company in 5-8 years in the case of qualified. For details thereof, please refer to《收購報告書》("Acquisition Report") published on 4 January 2011 in the securities market of PRC by SIHCL and the announcement of the Company dated 1 June 2011. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by Shenzhen International.

(4) SIHCL made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and May 2011 respectively. The undertakings include that SIHCL shall inject its highway assets into the Company in 5-8 years in the case of qualified. For details thereof, please refer to《收購報告書》("Acquisition Report") published on 4 January 2011 in the securities market of PRC by SIHCL and the announcement of the Company dated 1 June 2011. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by SIHCL.

21. Charity Donations

During the Reporting Period, the Company allocated RMB200,000 for charity or public welfares. The details related are set out in Chapter X of this annual report.

22. Results Review

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2012. For details thereof, please refer to the Report of the Audit Committee in Chapter IX of this annual report.

Report of the Directors and Significant Events

23. Appointment of Auditors

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

24. Name of Directors

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

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 22 March 2013

Share Capital and Shareholders

I. Profile of Movements of Share Capital

1. Table of Movements of Shares

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

2. Issuing and Listing of the Securities

During the Reporting Period, there was no change in the Company's total number of shares or share structure. At the end of the Reporting Period, the Company had not issued staff shares. As at the end of the Reporting Period, the securities issued by the Company in the past three years are as follows:

Types of securities	Time of issuing	Issuing price (or interest rate)	Issuing size	Listing date	Approved number of transaction	Date of termination of the transaction
Corporate bonds	2 August 2011	The face interest rate of the bonds is 6.0% carrying an option for increase of face interest by the Company and an investors' put option to sell back the bond at the end of the third year.	The bonds were issued at par with a par value of RMB100 each, with the term of 5 years and issuing size of 15,000,000.	9 August 2011	Issued RMB1.5 billion with issuing size of 15,000,000	27 July 2016

3. Public Float

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

4. Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Reporting Period, the circulating market capitalisation of A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB3.40)) was RMB4.873 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK$2.99)) was HK$2.235 billion.

Share Capital and Shareholders

II. Profile of Shareholders

1. General Information of Shareholders

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

Unit: share

Total number of shareholders as at the end of 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

The top ten holders of non-restricted circulating shares as at the end of 2012		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC Nominees Limited (Note)	707,601,098	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
China Merchants Hua Jian Highway Investment Co., Ltd	87,211,323	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
Au Siu Kwok	11,000,000	H Share
Ip Kow	9,100,000	H Share
Wong Kin Ping + Li Tao	5,000,000	H Share
CCB – ChinaAMC Dividend Fund	3,951,080	A Share
Goldstate Securities Co. Ltd.	3,124,250	A Share
Connected relationship or concerted action relationship among the abovementioned shareholders:	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. Save as the abovementioned relationship, there is no connected relationship among the other state-owned shareholders in the above table. In addition, the Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the above four state-owned shareholders and other abovementioned shareholders.	

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

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

As at 31 December 2012, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or in accordance with the notice received by the Company and the HKEx, were as follows:

Domestic shares:

Name of shareholder	Capacity	Number of domestic shares of the Company held	Percentage of total issued domestic share capital
Shenzhen International (2)	Interest of corporation controlled (3)	1,066,239,887(L)	74.39%(L)
SIHCL	Interest of corporation controlled (4)	1,066,239,887(L)	74.39%(L)

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
JPMorgan Chase & Co.	Beneficial owner, investment manager and Custodian corporation/ approved lending agent (5)	51,673,043(L) 450,000(S) 51,215,043(P)	6.91%(L) 0.06%(S) 6.85%(P)
Franklin Templeton Investments (Asia) Limited	Investment manager	44,523,582(L)	5.96%(L)
Franklin Templeton Investment Management Limited	Investment manager	44,371,043(L)	5.94%(L)
Advance Great Limited	Beneficial owner	43,536,000(L)	5.82%(L)
Shenzhen International(2)	Interest of corporation controlled (3)	43,536,000(L)	5.82%(L)
SIHCL	Interest of corporation controlled (4)	43,536,000(L)	5.82%(L)
Veritas Asset Management (UK) Limited	Investment manager	40,028,000(L)	5.35%(L)

Note: (L) – long positions, (S) – short positions, (P) – lending pool. Please refer to SFO for relevant definitions.

Note:

(1) All the domestic shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.

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

(3) Long positions of 654,780,000 domestic shares were directly held by XTC Company as beneficial owner, 411,459,887 domestic shares were directly held by SGH Company as beneficial owner, and 43,536,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International.

(4) SIHCL indirectly held 48.59% interests in Shenzhen International. Pursuant to the SFO, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

(5) Long positions of 51,215,043 shares were directly held by JPMorgan Chase Bank, N.A., 8,000 shares were directly held by J.P. Morgan Whitefriars Inc; as well as long positions and short positions of 232,000 shares were directly held by JF Asset Management Limited. All of these companies are wholly-owned subsidiaries of JPMorgan Chase & Co. Long positions and short positions of 218,000 shares were directly held by J.P. Morgan Securities Ltd., a 98.95%-owned subsidiary of JPMorgan Chase & Co.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2012.

Share Capital and Shareholders

3. Information of the Controlling Shareholder and the De-facto Controller

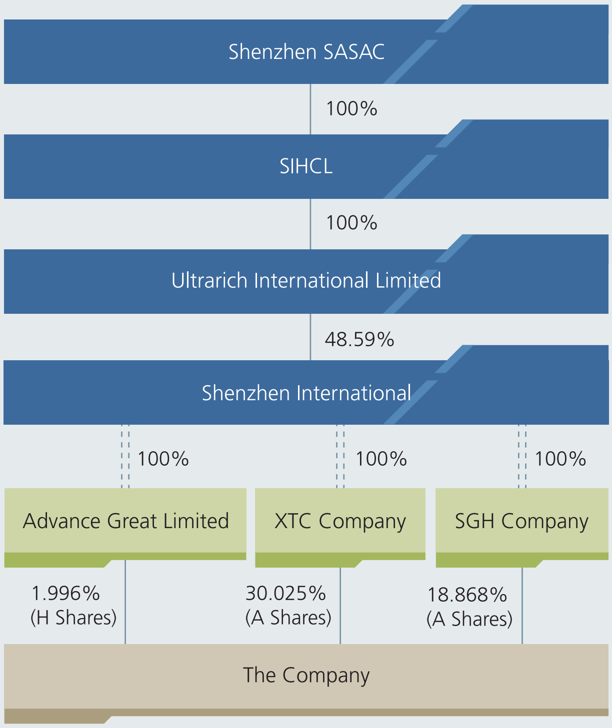
XTC Company, holding 30.025% of the Company's shares, is the largest beneficial shareholder of the Company. It was established on 8 September 1993. Its legal representative is Mr. Zhong Shan Qun, organisation code is 19224376-X, and registered capital is RMB200 million. The principal business scope of XTC Company covers transportation information consulting, software development of transport platform and investment in various industrial projects (specific project shall be applied separately).

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

Shenzhen International is a company incorporated on 22 November 1989 in Bermuda with limited liability and is listed on the main board of HKEx. The current chairman of the Board of Director is Gao Lei. Shenzhen International had issued a total share capital of HK$1,637,217,306.40 as at 31 December 2011. It is principally engaged in investment holding. The group, comprising the company, its subsidiaries, jointly controlled entities and associates, is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities. According to the 2011 Annual Report of Shenzhen International, the total assets amounted to HK$39,900,000,000, the owners' equity amounted to HK$11,200,000,000, the profit attributable to shareholders amounted to HK$1,750,000,000, and the net cash flows from operating activities amounted to HK$1,850,000,000. Shenzhen International's development strategy defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through acquisitions, restructuring and integration, the Group endeavours to invest, construct and operate logistic infrastructure projects such as logistic parks and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders. According to the information disclosed on the Shenzhen International's website (http://www.szihl.com), it held 6.42% interests in CSG, a domestic listed company. For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

SIHCL, the controlling shareholder of Shenzhen International, is a corporation wholly-owned by Shenzhen SASAC and, holds approximately 48.59% of the issued share capital of Shenzhen International. According to the authorisation of Shenzhen Municipal Government, Shenzhen SASAC performs contributive person obligation in accordance with the laws and takes the responsibility for the supervision of the state-owned assets of the municipal enterprises.

During the Reporting Period, there was no change in the controlling shareholder of the Company. As at the end of the Reporting Period, ownership and the relation of control between the Company and the de-facto controller are as follows:



4. Information of other Legal Person Shareholders

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

Name of shareholder	Legal representative	Date of establishment	Organisation code	Registered capital	Major operating management activities
SGH Company	Li Jing Qi	1993年6月	45576829-4	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing

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

Directors, Supervisors, Senior Management and Employees

I. General Information of Directors, Supervisors and Senior Management in Office

Name	Title	Sex	Age	Term of the current session	Whether or not holding or traded shares of the Company
Yang Hai	Chairman of the Board	Male	51	Jan 2012-Dec 2014	No
Wu Ya De	Executive Director	Male	48	Jan 2012-Dec 2014	No
	President			Sep 2012-Aug 2015	
Li Jing Qi	Non-executive Director	Male	56	Jan 2012-Dec 2014	No
Zhao Jun Rong	Non-executive Director	Male	48	Jan 2012-Dec 2014	No
Hu Wei	Non-executive Director	Male	50	Jan 2012-Dec 2014	No
Tse Yat Hong	Non-executive Director	Male	43	Jan 2012-Dec 2014	No
Zhang Yang	Non-executive Director	Female	48	Jan 2012-Dec 2014	No
Chiu Chi Cheong, Clifton	Non-executive Director	Male	58	Jan 2012-Dec 2014	No
Wang Hai Tao	Independent Director	Male	67	Jan 2012-Dec 2014	No
Zhang Li Min	Independent Director	Male	57	Jan 2012-Dec 2014	No
Au Sing Kun	Independent Director	Male	60	Jan 2012-Dec 2014	No
Lin Chu Chang	Independent Director	Male	43	Jan 2012-Dec 2014	No
Zhong Shan Qun	Chairman of the Supervisory Committee	Male	48	Jan 2012-Dec 2014	No
He Sen	Supervisor	Male	39	Jan 2012-Dec 2014	No
Fang Jie	Supervisor	Male	52	Jan 2012-Dec 2014	No
Li Jian	Vice President	Male	54	Sep 2012-Aug 2015	No
Zhou Qing Ming	Vice President	Male	56	Sep 2012-Aug 2015	No
Ge Fei	Vice President	Male	44	Sep 2012-Aug 2015	No
Liao Xiang Wen	Vice President	Male	44	Sep 2012-Aug 2015	No
Gong Tao Tao	Financial Controller	Female	39	Sep 2012-Aug 2015	No
Wu Xian	Chief Engineer	Male	54	Sep 2012-Aug 2015	No
Wu Qian	Secretary of the Board	Female	41	Sep 2012-Aug 2015	No

During the Reporting Period, there is no change in the Director, Supervisors or the senior management of the Company. In August 2012, the Board made session appraisal on all the senior management and approved the proposal of re-appointment according to the results of the appraisal. Mr. Wu Ya De was re-appointed as President. Mr. Li Jian, Mr. Zhou Qing Ming, Mr. Ge Fei, and Mr. Liao Xiang Wen were re-appointed as Vice Presidents. Ms. Gong Tao Tao was re-appointed as Financial Controller. Mr. Wu Xian was re-appointed as Chief Engineer. Ms. Wu Qian was re-appointed as Secretary of the Board. The new terms of the aforementioned senior management are from 1 September 2012 to 31 August 2015.

II. Biography of the Directors, Supervisors and Senior Management

Director

Mr. YANG Hai
Chairman of the Board

Born in 1961

Director & Chairman since Apr. 2005
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Chairman of Strategic Committee,
Member of Nomination Committee,
Director of a subsidiary

Mr. Yang holds a qualification of Senior Engineer. Mr. Yang had been a Deputy General Manager of the Company from 1997 to 2000. He joined Shenzhen International in March 2000, had been the General Manager of an unlisted subsidiary of Shenzhen International and a Vice President of Shenzhen International. He has been an Executive Director of Shenzhen International since August 2007 and is also a Director of an unlisted subsidiary of Shenzhen International.

Mr. WU Ya De
Executive Director, President

Born in 1964

Director since Jan. 1997
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

President since Jan. 2002
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Member of Strategic Committee,
Director/Chairman of subsidiaries

Mr. Wu holds a qualification of Senior Political Officer. He had been a Director, the General Manager and the Chairman of SGH Company. He has been the Acting President and the President of the Company since January 2002. Mr. Wu is also an Independent Director of Shenzhen Fenda Technology Co., Ltd.

Mr. LI Jing Qi
Non-executive Director

Born in 1956

Director since Apr. 2005
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Member of Strategic Committee

Mr. Li holds a qualification of Senior Economist. He has been an Executive Director of Shenzhen International since March 2000, and has been the President of Shenzhen International since August 2006. Mr. Li is a Director of CSG Holding Co., Ltd, a Director of Ultrarich International Ltd, and also holds a number of directorships in various unlisted subsidiaries or investee companies of Shenzhen International, which includes XTC Company and SGH Company.

Mr. ZHAO Jun Rong
Non-executive Director

Born in 1964

Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Mr. Zhao holds qualifications of Economist and Lawyer. He joined Shenzhen International in October 2001, and has been a Vice President of Shenzhen International since June 2007. He also holds a number of directorships in various unlisted subsidiaries or investee companies of Shenzhen International, which includes XTC Company and SGH Company.

Directors, Supervisors, Senior Management and Employees

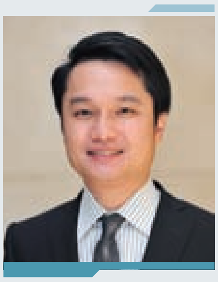
Mr. HU Wei
Non-executive Director

Born in 1962

Director since Jan. 2012
Term of office:
1 Jan 2012 to 31 Dec 2014

Other positions held within the Group:
Member of Risk Management Committee

Mr. Hu holds a qualification of Senior Economist. He had worked in China Everbright Bank from June 2001 to August 2011 and joined Shenzhen International in August 2011 as a Vice President. Mr. Hu also holds directorships in some unlisted subsidiaries or investee companies of Shenzhen International, which includes XTC Company.



Mr. TSE Yat Hong
Non-executive Director

Born in 1969

Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Mr. Tse is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. He joined Shenzhen International in June 2000 and has been the Chief Financial Officer since then. Mr. Tse holds directorships in some unlisted subsidiaries of Shenzhen International. He is also an Independent Director of Casablanca Group Limited.

Ms. ZHANG Yang
Non-executive Director

Born in 1964

Director since Mar. 2001
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Member of Risk Management Committee

Ms. Zhang holds a qualification of Political Officer. She joined CM Huajian in 1994 and has been a Deputy General Manager of CM Huajian since April 2007. Ms. Zhang is also the Vice Chairman of Sichuan Expressway Co., Ltd and Jilin Expressway Co., Ltd, and a Director of Jiangsu Expressway Co., Ltd and Henan Zhongyuan Expressway Co., Ltd.

Mr. CHIU Chi Cheong, Clifton
Non-executive Director

Born in 1954

Director since Dec. 1996
(Independent Director: 1996-2002)
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Member of Strategic Committee, Audit Committee and Remuneration Committee

Mr. Chiu is a Certified Accountant in USA. He has been the Managing Director of Harvester (Holdings) Company Limited since January 1994. Mr. Chiu is a Member of the University Grants Committee of Hong Kong Special Administrative Region. He was a Vice Chairman of Takeover and Mergers Panel of the SFC, a Member of Process Review Panel of the SFC and a Vice Chairman of the Listing Committee of the Main Board of HKEx and the Listing Committee of the Growth Enterprises Market of HKEx.

Mr. WANG Hai Tao
Independent Director

Born in 1945

Independent Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Chairman of Nominaiton Committee and Remuneration Committee

Mr. Wang holds a qualification of Senior Economist. He joined China Merchants Bank in April 1994 and had been the Executing Deputy Officer of Administrative Office of Headquarter, the Officer of Training Centre, the General Manager of Administrative Department and the Vice Chairman of the Labour Union of Headquarter. Mr. Wang retired in February 2006.

Mr. ZHANG Li Min
Independent Director

Born in 1955

Independent Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Chairman of Audit Committee, Member of Remuneration Committee

Mr. Zhang is a Certified Public Accountant of PRC. He had been a Professor in accounting and a Tutor of Doctorship in School of Business of Sun Yat-Sen University from 1999 to 2009, and has been a Professor in accounting and a Tutor of Doctorship in School of Economics and Management of Beijing Jiaotong University since 2009. Mr. Zhang is also an Independent Director of Shenzhen Chiwan Petroleum Supply Base Co., Ltd and Tianjin Benefo Tejing Electric Co., Ltd, and a Vice Chairman of China Audit Society and a Member of Firm Disciplinary Committee of The Chinese Institute of Certified Public Accountants.

Mr. AU Sing Kun
Independent Director

Born in 1952

Independent Director since Jan. 2012
Term of office:
1 Jan 2012 to 31 Dec 2014

Other positions held within the Group:
Chairman of Risk Management Committee, Member of Audit Committee

Mr. Au had worked in HSBC from 1978 to 2009, and had been the Operation Director of HSBC (China), the President of HSBC Shenzhen Branch and the Chief Executive Officer of HSBC (Macau). Since his retirement in 2009, Mr. Au has been a Director of Nice International Investments Limited.

Mr. LIN Chu Chang
Independent Director

Born in 1969

Independent Director since Jan. 2012
Term of office:
1 Jan 2012 to 31 Dec 2014

Other positions held within the Group:
Member of Strategic Committee and Nomination Committee

Mr. Lin had been the Chief Financial Officer of China Resources Land Limited from 2002 to 2006, and the Chief Financial Officer and an Executive Director of Longfor Properties Co. Ltd from 2006 to 2010. Mr. Lin currently is the Chairman and Executive President of Jeffrey Investments Limited. He is also an Independent Director of China Zhongsheng Resources Holdings Limited.

Directors, Supervisors, Senior Management and Employees

Supervisor

Mr. ZHONG Shan Qun
Chairman of the Supervisory Committee

Born in 1964

Supervisor & Chairman since Aug. 2009[Note]
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Note:
a Director during Jan 1997-Apr 2005, the Chairman of the Supervisor Committee during Jan 2006-Sep 2007

Mr. Zhong holds a qualification of Engineer. He joined XTC Company in January 1994, has been the General Manager of XTC Company since March 2003 and the Chairman since September 2005. Mr. Zhong has been a Vice President of Shenzhen International since June 2007, and he is also a Director or the Chairman of some other unlisted subsidiaries or investee companies of Shenzhen International.

Mr. HE Sen
Supervisor

Born in 1973

Supervisor since Jan. 2010
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Mr. He holds a qualification of Senior Accountant. He joined GDRB Company in March 2001, had been the Assistant to General Manager, a Deputy General Manager and the Chief Accountant of Guangdong Guangshao Expressway Co., Ltd, and the Deputy Manager of Financial Department of GDRB Company. He has been the Manager of Financial Department of GDRB Company since November 2009, and he also holds a number of supervisorships in various unlisted subsidiaries or investee companies of GDRB Company.

Mr. FANG Jie
Supervisor (representing the staff)

Born in 1960

Supervisor since Aug. 2008
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Supervisor of a subsidiary

Mr. Fang holds a qualification of Senior Engineer. He had worked in XTC Company from January 2001 to March 2007. Mr. Fang joined the Company in April 2007 and has been the General Manger of Project Development Department and the Director of Chief Engineer Office.

Senior Management

Mr. LI Jian
Vice President

Born in 1958

Vice President since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Director/Chairman of some subsidiaries

Mr. Li joined the Company in 1996, and has been a Vice President of the Company since August 2007. He is now responsible for business strategy, equity financing and management of investment projects as well as the overall study of new industries. He is also a Vice Chairman of GZW2 Company, Jiangzhong Company and Nanjing Company, which are all investee companies of the Group.

Mr. ZHOU Qing Ming
Vice President

Born in 1956

Vice President since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Management Representative of corporate's quality management system, Director of subsidiaries

Mr. Zhou holds a qualification of Senior Engineer, and he is also a Registered Safety Officer. Mr. Zhou joined the Company in 1998 and has been a Vice President since August 2007. He is mainly responsible for toll highway maintenance and administration, management of projects under construction as well as the Company's quality management system. As a representative of the Company, Mr. Zhou is also the Chairman of Longda Company, the Executive Director and General Manager of Coastal Company and the Chairman of Shenzhen Freeway Industry Co., Ltd.

Mr. GE Fei
Vice President

Born in 1968

Vice President since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Chairman of subsidiaries

Mr. Ge holds a qualification of Engineer. He joined the Company in 1998, and has been a Vice President of the Company since August 2007. Mr. Ge is mainly responsible for development of new industries of the Company and management of specific projects of such industries.

Mr. LIAO Xiang Wen
Vice President

Born in 1968

Vice President since Sep. 2009
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
General Manager of Human Resource Department, Director of a subsidiary

Mr. Liao is a Doctor of Laws. He joined the Company in 2004. He has been the General Manager of Human Resource Department since November 2005, and has been a Vice President since September 2009. Mr. Liao is mainly responsible for toll collections business and relative mechanical/electrical maintenance, human resources, legal affairs, public relations, development of corporate culture and administrative affairs of the Company. He is also a Director of GD UETC, which is an investee company of the Group.

Directors, Supervisors, Senior Management and Employees

Ms. GONG Tao Tao
Financial Controller

Born in 1973

Financial Controller since Nov. 2002
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Director of subsidiaries

Ms. Gong holds qualifications of Certified Public Accountant of PRC and Certified Public Valuer of PRC. She joined the Company in 1999, and has been the Financial Controller since November 2002. Ms. Gong is mainly responsible for overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, preparation of periodic financial reports, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans.

Mr. WU Xian
Chief Engineer

Born in 1958

Chief Engineer since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Director of a subsidiary

Mr. Wu holds qualifications of Senior Engineer and Registered Supervising Engineer. Mr. Wu joined the Company in 1996, and has been the Chief Engineer of the Company since August 2007. He is mainly responsible for technical works, project prophase management and safety management of the Company. Mr. Wu is also the Chairman of Qinglong Company and Huayu Company, both are the investee companies of the Group.

Ms. WU Qian
Secretary of the Board,
Company Secretary

Born in 1971

Secretary of the Board since Sep. 2004
Company Secretary since Sep. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Ms. Wu holds a qualification of Certified Public Accountant of PRC and a qualification of Economist. She joined the Company in 2003. Ms. Wu has been the Secretary of the Board since September 2004 and has been the Company Secretary since September 2007. She is mainly responsible for information disclosure, investor relations and corporate governance of the Company.

Note: For detailed professional experience of the members of the Board and the Supervisory Committee, please refer to the website of the Company.

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

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

The information on the remuneration receivable of the Directors, the Supervisors and senior management of the Company for 2012 is as follows:

Unit: RMB million (before tax)

		Remuneration receivable from the Company during the Reporting Period			(5) Remuneration receivable from shareholder entities during the Reporting Period
Name	Title	Fee	(3) Salary	Total	
Yang Hai	Chairman of the Board	N/A	0.958	0.958	–
Wu Ya De	Executive Director and the President	N/A	0.958	0.958	–
Li Jing Qi	Non-executive Director	N/A	N/A	–	
Zhao Jun Rong	Non-executive Director	N/A	N/A	–	
Hu Wei	Non-executive Director	N/A	N/A	–	
Tse Yat Hong	Non-executive Director	N/A	N/A	–	
Zhang Yang	Non-executive Director	N/A	N/A	–	
Chiu Chi Cheong, Clifton	Non-executive Director	0.35	N/A	0.35	–
Wang Hai Tao	Independent Director	0.18	N/A	0.18	–
Zhang Li Min	Independent Director	0.18	N/A	0.18	–
Au Sing Kun	Independent Director	0.18	N/A	0.18	–
Lin Chu Chang	Independent Director	0.18	N/A	0.18	–
Zhong Shan Qun	Chairman of the Supervisory Committee	N/A	N/A	–	
He Sen	Shareholders' Representative Supervisor	N/A	N/A	–	
Fang Jie (4)	Staff Representative Supervisor	N/A	0.588	0.588	–
Li Jian (4)	Vice President	N/A	0.728	0.728	–
Zhou Qing Ming (4)	Vice President	N/A	0.749	0.749	–
Ge Fei (4)	Vice President	N/A	0.764	0.764	–
Liao Xiang Wen (4)	Vice President	N/A	0.690	0.690	–
Gong Tao Tao (4)	Financial Controller	N/A	0.758	0.758	–
Wu Xian (4)	Chief Engineer	N/A	0.772	0.772	–
Wu Qian (4)	Secretary of the Board	N/A	0.742	0.742	–
Total:				8.777	

Directors, Supervisors, Senior Management and Employees

Notes:

(1) The total amount of the fee and salary received by the Directors, the Supervisors and senior management of the Company for 2012 is RMB8.099 million.

(2) According to the plan approved at the general meeting, the Directors and the Supervisors who attended/observed any relevant meetings are entitled to receive meeting subsidies. In 2012, the meeting subsidies (after tax) receivable for Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton, Wang Hai Tao, Zhang Li Min, Au Sing Kun, Lin Chu Chang and the Supervisors Zhong Shan Qun, He Sen, and Fang Jie were RMB13,500, RMB10,500, RMB9,000, RMB8,500, RMB9,000, RMB10,000, RMB9,500, RMB13,000, RMB13,000, RMB9,000, RMB14,500, RMB11,000, RMB7,000, RMB8,000 and RMB5,500 respectively. Among them, Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong and Supervisor Zhong Shan Qun have declined the meeting subsidies receivable for the year.

(3) An employee's remuneration of the Company comprises position salary and performance bonus. In addition, pursuant to statutory requirements and the Company's regulations, employees enjoyed the statutory and company fringe benefits, including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme and the housing allowances. During the Reporting Period, Directors Yang Hai and Wu Ya De, Supervisor Fang Jie, senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian enjoyed benefits in amount of RMB143,000, RMB148,000, RMB119,000, RMB136,000, RMB138,000, RMB139,000, RMB130,000, RMB140,000, RMB135,000 and RMB138,000 respectively.

(4) According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For management members who participated in the plan, the Company will pay monthly vehicle subsidies in lieu of providing or arranging business vehicles for them. During the Reporting Period, the Supervisor Fang Jie and senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian participated in the above plan. During the Reporting Period, the aforesaid persons received vehicle subsidies of RMB43,000, RMB60,000, RMB45,000, RMB13,000, RMB60,000, RMB60,000, RMB60,000 and RMB60,000 respectively.

(5) Other figures were not disclosed except those who confirmed not receiving remuneration from shareholder entities.

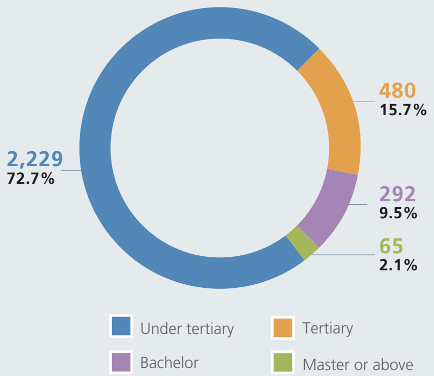
For the information on the remuneration policies of the Directors/Supervisors of the Company, remuneration and benefits policies and performance evaluation and incentive system of the Company, please refer to Report of the Remuneration Committee in Chapter IX of this annual report.

IV. Basic Information of Employees

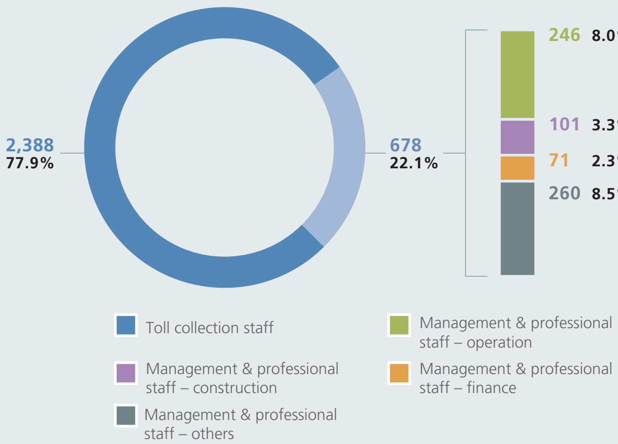
At the end of the Reporting Period, the Group had 3,066 employees, of whom 1,076 were the Company's staff, while 1,990 were the subsidiaries' staff. Among the Group's staff, 2,388 were toll collection staff, representing 77.9% of total number, while 678 were management and professional staff, representing 22.1% of the total number.

The educational level and structure of profession of the Group's staff are as follows:

The Educational Level of the Group's Staff



The Structure of Profession of the Group's Staff



27.3% of the Group's staff held tertiary or above qualifications, and 84.2% of the management and professional staff held tertiary or above qualifications.

The Company values staff training. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2012, the Company and its departments have organised 61 training sessions, which covered all major business segments of the Company, including general management, operating management and professional skills. The training hours totalled 12,805 hours, with 1,823 person-times participation and covering staff of all levels from toll collection staff to senior management.

For details of remuneration and benefit policy, including retirement arrangement, please refer to the relative contents in "Report of the Remuneration Committee" in Chapter IX of this annual report.

Chapter IX

Corporate Governance

路

將來／繁榮共建

Corporate Governance

Section 1 – Corporate Governance Practice Report

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

The Company is listed on both SSE and HKEx. We have to comply with the applicable laws and regulations and regulatory requirements for securities regarding the practice of corporate governance of both places. 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 for the deviation disclosed below. In addition, we also comply with the Company Law and relevant requirements issued by China Securities Regulatory Committee, and strive to pursue better corporate governance practice.

Deviation from Corporate Governance Code:

Some Directors of the Company were unable to attend general meetings of the Company in person due to official businesses as required under code provision A.6.7 of Corporate Governance Code. For details, please refer to the content related to Performance of Duties in the Year in point IV below.

For corporate governance practice, we implement better practices than the code provisions under the "Corporate Governance Code" of HKEx mainly in the following aspects:

☑ The stipulation on the terms of office for Independent Directors of no more than 6 years;

☑ The establishment of the Risk Management Committee under the Board;

☑ The Audit Committee, the Remuneration Committee and the Nomination Committee all being mainly comprised of Independent Directors with each committee chaired by an Independent Director;

☑ The provision of independent channel for the Audit Committee to obtain information about fraudulent risks and the establishment of the Anti-fraudulent Work Regulation;

☑ The engagement of external auditors for auditing the internal control over financial reporting;

☑ The adoption of the cumulative voting system for election of the Directors and the Supervisors;

☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;

☑ Preparation and publication of quarterly results announcements;

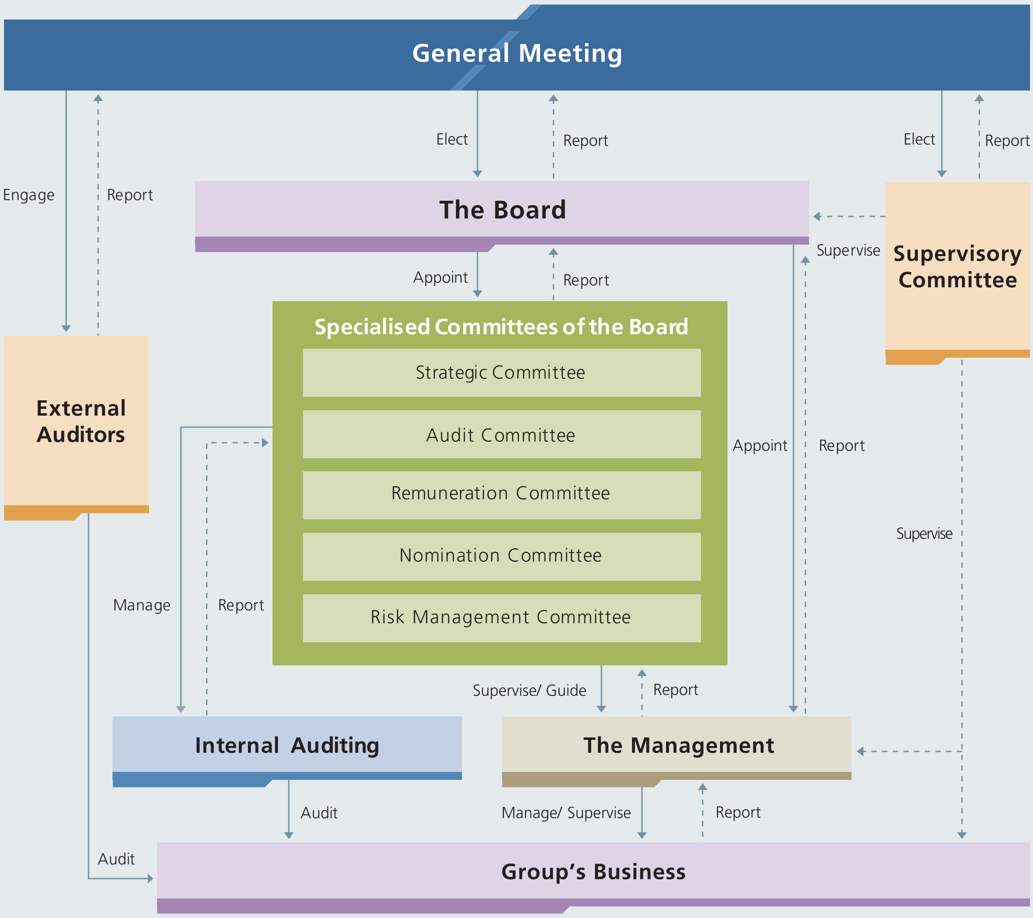
☑ Regular publication of the Social Responsibility Report.

According to the CSRC's arrangements and plans, the Company carried out the special activities on corporate governance enhancement, completed the tasks for the three stages of self-inspection, public assessment and reform and enhancement, and made disclosure as required. For details related, please refer to the announcements published on the website of SSE on 27 June 2007, 29 October 2007 and 18 July 2008.

I. Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management. It has formulated multi-tier governance rules based on the Articles of Association, aiming to clearly define the duties, limit of authority and code of conduct.

The current governance structure of the Company is shown as follows:



Governance Structure of Shenzhen Expressway

In 2012, the Company comprehensively revised its Articles of Association and schedules, clearly defined the arrangements of authorisation to executive directors from the Board, improved the profit distribution policies and related procedures for decision-making and set out additional provisions on the duties of the Board in corporate governance based on the amendments to the Listing Rules of HKEx.

During the Reporting Period, the Company also formulated the "Rules Governing Insider Information" to strengthen the management of insider information and specified the rules governing registration of insiders. In addition, the Company improved a number of rules and continuously enhanced the standard on corporate governance. For details on the formulation of the "Rules Governing Insider Information", please refer to the announcement published on the website of SSE on 28 March 2012. During the Reporting Period, the Company is not aware of any violation of such rules.

Corporate Governance

Section 1 – Corporate Governance Practice Report

The system of rules on corporate governance, the key documents on corporate governance and the development and improvement thereof during the Reporting Period are as follows:

Rules and Regulations	Name/Category of Governance Documents	Authorities for Approval
Articles of Association	Articles of Association R/🖱 Rules of Procedures for the Shareholders' Meeting R/🖱 Rules of Procedures for the Board of Directors R/🖱 Rules of Procedures for the Supervisory Committee R/🖱	General Meetings
Codes and Guidelines on Governance	**Operation of the Board** Terms of Reference of the Strategic Committee 🖱 Terms of Reference of the Remuneration Committee R/🖱 Terms of Reference of the Risk Management Committee 🖱 Terms of Reference of the Audit Committee R/🖱 Terms of Reference of the Nomination Committee 🖱 Rules of Procedures for the Executive Directors Meeting R **Rules on Performing Duties** Rules on Performing Duties by the Independent Directors 🖱 Rules on Performing Duties by the President R/🖱 Rules on Performing Duties by the Secretary to the Board of Directors 🖱 Rules on Performing Duties by the Financial Officer 🖱 **Code and Standards of Conduct** Securities Transaction Code 🖱 Rules Governing Connected Transactions R/🖱 Rules Governing Insider Information N/🖱 Rules Governing Information Disclosure Matters R/🖱 Rules Governing Investor Relationship Management R/🖱 Responsibility System for Major Errors in Information Disclosure in Annual Reports 🖱 Anti-fraudulent Work Regulation Internal Auditing Work Regulation Rules of the Management of Specific Expenses for the Three Committees 🖱	The Board/ General Meetings (if necessary)
Specific Rules and Regulations	Operation Management Regime Highway Construction Management Regime Road Property Management Regime Financial Management Regime Human Resources Management Regime Administration Management Regime	The Management/ The Board (if necessary)

🖱: Available on the Company's website (only Chinese version available for some documents)

R: documents for corporate governance amended during the Reporting Period

N: New documents for corporate governance prepared during the Reporting Period

The key documents on corporate governance of the Company have been published on the SSE and HKEx websites and can be found or downloaded in the section of "Corporate Governance" on the Company's website.

II. The General Meeting and Rights of Shareholders

The Company encourages all Shareholders to attend the general meetings. The Company will give a notice at least 45 days prior to the date of any general meeting, and provide the Shareholders with any information necessary for them to attend and make decision at the meeting. A Shareholder who is unable to attend the general meeting in person may appoint his or her proxy (regardless of whether the proxy is a Shareholder of the Company or not) to attend and vote at the general meeting. Each separate matter submitted to the general meeting to consider is put forth respectively as separate resolution. The Company will provide detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the Shareholders, voting procedures and method of vote counting to ensure that the Shareholders are familiar with the voting procedures by way of poll.

During the year 2012, two general meetings were held by the Company at the conference room of the Company. The Chairman of the Company attended all general meetings and all chairmen of the specialised committees under the Board or their representatives and the representative of the auditors for the year were also arranged to attend the annual general meeting to answer enquiries from the Shareholders when necessary. Details of the attendance of the Chairman of the Company are set out in the point IV regarding Performance of Duties by the Directors below. Details of the general meetings of the Company for the Reporting Period are as follows:

Name of the meeting	Convening date	Major newspapers and websites for disclosure of resolutions	Date of disclosure on newspapers
The 2011 Annual General Meeting	28 May 2012	《Shanghai Securities News》, 《Securities Times》 http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com	29 May 2012
The First Extraordinary General Meeting for 2012	20 September 2012		21 September 2012

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

- The report of the Directors, the report of the Supervisory Committee and the audited accounts for the year 2011;
- The profit distribution plan for the year 2011;
- The budget report for the year 2012;
- The re-appointment of auditors for the year 2012.

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

- The grant of a general mandate to the Board to issue such financial instruments as debentures denominated in RMB;
- The amendments to the Articles of Association and its schedules.

The qualified Shareholders of the Company have the right to call general meetings in accordance with the established procedures, propose impromptu motions or collect voting rights from other Shareholders. A cumulative voting system is adopted for the election of the Directors and the Supervisors by the Shareholders. These arrangements help to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in the "Articles of Association of the Company" and the schedules to the Articles ("Rules of Procedures for the Shareholders' Meeting").

At a general meeting, all Shareholders are entitled to make enquiries to the Directors and the management regarding issues about the resolutions. At any other time other than at the general meeting, the Shareholders may make their enquiries or express their opinions to the Board by calling the investor hotline of the Company or in writing (including fax, letter, e-mail, online message, etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the Shareholders and annual reports for the Shareholders to express their opinions or make any enquiries. The Board has formulated the "Rules of Investor Relationship Management" and "the Standards of Work for Investor Relationship Management", which define the principles, responsible person, channel and standards of work for the communication with the Shareholders. These were reviewed and modified in 2012. The Board keeps in touch with the Shareholders in various ways. For the details of investor relationship management, please refer to Section 5 of this chapter.

Details of such matters of the Company as total share capital, categories of Shareholders, major Shareholders and market value of the shares held by the public are set out in Chapter VII Share Capital and Shareholders of this Annual Report.

Corporate Governance

Section 1 – Corporate Governance Practice Report

Provision of information to controlling shareholders in accordance with the laws

As Shenzhen International holds over 50% of interests in the shares of the Company, the transactions or acts of the Group may trigger the requirements on disclosure obligations and decision-making procedures of Shenzhen International as a listed company in Hong Kong, and according to related requirements of accounting and auditing regulations, Shenzhen International is also required to obtain related financial information of the Company in order to finalise the consolidated financial statements and reports prepared in accordance with HKAS. To facilitate the preparation and the audit of the financial statements and the periodical reports, and in fulfillment of the approval, reporting and disclosure obligations of listed companies in accordance with the laws by Shenzhen International, the Company submitted three pieces of undisclosed information, namely the interim financial statements for 2011 and matters concerning Coastal Project and Guilong Project respectively upon the request of a securities regulatory authorities in accordance with the laws during the year. The Company formulated the "Rules Governing Insider Information" to strengthen the management of insider information and strictly regulated and controlled aforesaid information submission. The overall arrangements for the aforesaid provision of information in accordance with the laws was approved by the Board of the Company. Before submitting information, the Company performed the approval procedures and had related undertaking and the insider list from Shenzhen International. When submitting information, the Company also timely reminded the Shareholders of the fulfillment of the obligations of information confidentiality and avoidance of insider dealings, and submitted to competent securities regulatory authorities the insider list and relevant information.

III. The Board

The Board exercises management and decision-making powers according to the authorities granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Group's development, ensuring the availability of necessary resources to achieve pre-set strategic goals and supervising and inspecting the Company's development and operation.

1. Composition

The Board comprises 12 Directors, of which two are Executive Directors, six are Non-executive Directors and four are Independent Directors. The current Board was elected by the Shareholders at the Extraordinary General Meeting of the Company held in November, 2011, with a term from 1 January 2012 to 31 December 2014.

The current Board members came from various industry backgrounds with professional expertise in highway industry, project construction, accounting and auditing, finance and securities, law, property development and administration, and three of them (including one Independent Director) possess professional financial and accounting qualifications. Biographies of the Directors (including their terms, professional qualifications and principal positions) are set out in Chapter VIII of this annual report.

Members of the current Board are:

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

2. Responsibilities and Division of Work

The Chairman of the Board of the Company is Yang Hai, while the President is Wu Ya De. There is no relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals, ensuring the Board functions effectively and assuring good corporate governance practice and procedures for the Company. The President, with the support and assistance of the Board and other senior management members of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and senior management are separated (details are set out in the Articles of Association of the Company, Rules of Procedures for the Shareholders' Meetings and the Work Details for the President) to protect the balance of power and authority and the relative independence of the Board's decision-making and operating and management activities.

3. Appointment

Directors are elected or replaced at general meetings. The Shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointment is subject to further consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years.

The requirements on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the "Rules of Procedures for the Board of Directors" of the Company. The Nomination Committee is responsible for qualification inspection and quality assessment on the candidates for directorship, as well as making proposals to the Board and providing explanations to the general meetings. In order to make the Shareholders clearly understanding the ways of nomination of directors, the Company has extracted the relevant clause for the ways of nomination of directors and posted it on the Company's website.

4. Procedures

In 2012, the Board convened eight plenary Board meetings to discuss and make decisions on issues covering the Group's operating and financial performance, planning and supervision, business development, investment and financing plans, rules on governance, structure and personnel. Major issues included:

- Election of the Chairman of the Board and the formation of the new session of Specialised Committees of the Board;
- The annual, interim and quarterly reports;
- The annual internal control assessment report and the annual social responsibility report;
- Significant accounting matters, annual accounts and annual budget;
- Proposed annual profit distribution; improvement of Shareholder Return Planning;
- Annual financing plans and proposal of general mandate to issue such financial instruments as debentures denominated in RMB;
- The appointment of auditors for the year;
- External investment and external guarantees;
- Review of the authorisation system of the Board, enhancement of corporate governance rules and the relevant management regimes;
- Assessment of the achievement of the Group's operating performance targets for the prior year and the determination of the operating performance for the year;
- Re-appointment of Senior Management and appointment of General Manager of Audit Department; etc.

The Board holds one regular meeting each quarter and convenes ad hoc meetings when necessary. All Directors shall receive a written notice in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings shall be dispatched to all Directors at least 14 days before the meeting is convened, while notices of ad hoc meetings shall be dispatched at least 5 days before the meeting is convened.

Corporate Governance

Section 1 – Corporate Governance Practice Report

If the substantial shareholder or a Director has material conflict of interest on the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorisation. When considering the related issues, any Director who is affiliated with or interested in the same do not have the voting right and shall be absent when necessary. During the year, the Company did not have connected transactions that required the Board to make the decision.

The Directors may engage professional institutions or professionals through established procedures to obtain professional advice for the performance of their duties and authorities or for business needs, and the fees so incurred shall be borne by the Company. For any issue that advice from a professional institution is needed, the Company takes initiative to engage a professional institution or assist the Independent Directors in engaging a professional institution to issue a report. During the year, no Director proposed on his own to seek independent professional advice.

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

5. *The Management Function*

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the monitoring and management on the authorised matters through establishing a regime on procedural management, documentation and regular reviews. Specific information regarding the authrisation and management procedures has been clearly set out in the Articles of Association of the Company and the schedules to the Articles of Association (Rules of Procedures for the Shareholders' Meetings). In 2012, the Executive Directors held five meetings, at which they discussed and made decisions on matters regarding asset transfer, increase in the investment in the invested enterprises and transactions, human resource management and charity donations within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

In order to help the Board to discharge their duties and promote effective operation, five specialised committees have been set up under the Board. These committees review and monitor specific matters of the Company within their designated terms of reference, and make corresponding recommendations to the Board. Each committee has its terms of reference which explicitly explain and define their duties and powers are subject to the approval of the Board. In 2012, the specialised committees convened 11 meetings. For details, please refer to point V of "Specialised Committees of the Board" below.

The Board is responsible for the performance of its duty on corporate governance stipulated in the Corporate Governance Code. As mentioned in point I above, the Company has in place a relatively established governance structure, formulated multi-tier governance rules covering overall policies, principles and standards of work on corporate governance, compliant operation and code of conduct, and timely reviews and improves the structure in line with the internal and external environments. The Board regularly receives reports on the reviews of the rules on governance, compliant operation of the Company, the Directors' compliant performance of duties and training and growth for the management in order to constantly monitor the overall states and level of corporate governance and ensure the related issues are disclosed appropriately.

6. Support for Performance of Duties

The management of the Company is responsible for providing the Board and the Specialised Committees with the materials and information necessary for the consideration of each resolution. Relevant documents will be dispatched to all Directors and committee members at least 3 days prior to the meeting. After the Board has raised reasonable enquiries, the management is able to make response or provide further information as soon as possible, so that the Board and the Specialised Committee will be able to make appropriate and scientific decisions based on a full understanding of necessary information.

Since April 2012, the Company has been dispatching "Operation Information Monthly" to Directors each month, which regularly reports the operation performances of the Group's highway projects, progress of construction projects and early warning of substantial risks. At the beginning and in the middle of each year, the Company arranges working presentations on specific topics to report to the Board in details the completion of projects and the work plans for the next phase. During the year, the Company timely reported to the Board the states and progress of key entrusted construction projects, the current states of the road network near the Qinglian Project and the impacts of the changes in toll policy on the Group. The Directors were also invited to have site visits to the expanding Meiguan Expressway, Guilong Project, an entrusted construction project of the Group, and Jiangzhong Project, an investment project of the Group, in order to get a direct and in-depth understanding of the business of the Company and the actual progress of key projects. In addition, each Director is provided with channels to independently contact and communicate with the Company's senior management and secretaries to specialised committees when necessary.

The Secretary to the Board, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the Shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific practices. In 2012, the Secretary to the Board completed a total of 28.5 hours of related professional training sessions organised by the Hong Kong Institute of Chartered Secretaries and SSE so as to keep the professional knowledge up-to-date and better support the operation of the Board.

During their respective terms of office, all Directors are able to duly obtain from the Secretary to the Board the information and updates on the relevant statutory, regulatory and other continuing obligations, and directly contact the Secretary to the Board individually and independently when necessary to obtain more detailed information and advice. In 2012, the Company arranged orientation activities for the new Directors, held three training sessions on specific topics of listing rules and regulations and investor relationship management and prepared five issues of "Reference Document Summaries" and six issues of "Market New Briefings" to assist the Directors and the management in timely obtaining and understanding of the most updated regulations and policies, market performance of the Company and the news and analysis on the securities market and news media through distribution of documents and lectures.

In accordance with the approval and authorisation of the general meeting, the Company has purchased liability insurance for the Directors, the Supervisors and Senior Management since 2008, and purchased insurance for any legal actions that the management may face.

Corporate Governance

Section 1 – Corporate Governance Practice Report

IV. Directors

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

1. *Performance of Duties in the Year*

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2012 was 100%, while attendance in person was 91%. Attendance of members in person at the meetings of the specialised committees of the Board was 94%. Attendance of members in person at the general meeting was 54%.The attendance of each Director at the Board meetings, specialised committee meetings and the general meeting during the Year is showed in the following table:

	[1] Attendance in person/Total number of meeting							
Director	Board	Attendance in person at Board meetings	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	General Meeting
Yang Hai	8/8	100%	1/1	[4] 4	[4] 1	2/2	[4] 1	2/2
Wu Ya De	8/8	100%	0/1	[4] 4	[4] 1	[4] 2	[4] 1	[5] 1/2
Li Jing Qi	[2] 6/8	75%	1/1	N/A	N/A	N/A	N/A	2/2
Zhao Jun Rong	[2] 7/8	88%	N/A	N/A	N/A	N/A	N/A	[5] 0/2
Hu Wei	[2] 7/8	88%	N/A	N/A	N/A	N/A	2/2	[5] 1/2
Tse Yat Hong	8/8	100%	N/A	N/A	N/A	N/A	N/A	[5] 1/2
Zhang Yang	[2] 6/8	75%	[4] 1	N/A	N/A	N/A	2/2	2/2
Chiu Chi Cheong, Clifton	8/8	100%	1/1	5/5	1/1	N/A	N/A	[5] 0/2
Wang Hai Tao	8/8	100%	[4] 1	[4] 1	1/1	2/2	N/A	2/2
Zhang Li Min	[2] 6/8	75%	N/A	5/5	[3] 0/1	N/A	N/A	[5] 0/2
Au Sing Kun	8/8	100%	N/A	5/5	N/A	N/A	2/2	2/2
Lin Chu Chang	[2] 7/8	88%	1/1	[4] 1	N/A	2/2	N/A	[5] 0/2

Notes:

(1) According to the Articles of Association, Directors who attend a meeting by use telecommunication devices such as telephones to attend the meetings will be deemed as attending the meeting in person. In 2012, the number of Directors Li Jing Qi, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton, Zhang Li Min and Lin Chu Chang attended the meetings by telecommunication forms was once, once, three times, once, twice and three times respectively.

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

(3) Members who were unable to attend meetings in person had appointed other Members to express their views at the meetings on their behalf.

(4) Observed at the meeting.

(5) Some Directors were unable to attend general meetings for official businesses. Among them, Director Zhang Li Min, was unable to attend the annual general meeting as the Chairman of the Audit Committee in person for going abroad on official business. He had appointed Director Au Sing Kun, a member of the Audit Committee to attend on his behalf to answer enquiries from the Shareholders when necessary.

2. Independent Directors and Their Independence

The Company has appointed four Independent Directors, representing one-third of the number of the Directors, which complies with the relevant requirements.

The Company's Independent Directors were able to perform their duties independently. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that the current Independent Directors of the Board have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent.

In 2012, apart from attending board meetings and specialised committee meetings in a serious mannerly, the four Independent Directors of the Company have provided written independent opinions on matters such as the Company's reappointment of the Senior Management, Shareholder Return Planning, external guarantees, connected transactions and continuing connected transactions and convened two meetings with the external auditors to discuss the annual audit arrangement and problems identified in the audit. During the Year, the Independent Directors gave no dissent to the matters discussed by the Board and did not propose to convene any Board meeting and general meeting or publicly collect voting rights from the Shareholders.

3. Non-executive Directors

Non-executive Directors (including Independent Directors) are able to can understand the Company's operation activities, business development trend and the duties as the Company's Directors through several channels to ensure their proper performance. The Board encourages the Directors to maintain a prudent and doubtful attitude, build an open discussion atmosphere to encourage any dissenting the Directors to raise their point of views, and motivate the Directors, especially Non-executive Directors to have effective contributions in the Board. In 2012, Chairman of the Board convened one1 meeting attended by all Non-executive Directors and heard the independent opinions from those external Directors on various issues such as the Company's performance, development strategies and the Board's operation.

4. Remunerations of Directors

The Company has been disclosing the remunerations of the Directors, the Supervisors and senior management on a named basis. For details of the policies of remunerations of Directors, the appraisals and incentive regimes for senior management and the annual remunerations of the management, please refer to Section 4 Report of the Remuneration Committee in this Chapter and Chapter VIII of this annual report.

5. Securities Transactions by Directors

In accordance with Appendix 10 to the Listing Rules of HKEx entitled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions by the Directors, the Supervisors and relevant staff members, and timely updated. The "Securities Transaction Code" of the Company has incorporated the standards as set out in under Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to certain extents.

After making specific enquiry to all the Directors, the Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period. Details on interests held by the Directors, the Supervisors and senior management are set out in Section VIII of this annual report.

Corporate Governance

Section 1 – Corporate Governance Practice Report

6. *Continuing Professional Development*

In 2012, according to their own needs, the Directors participated in the director orientation training for the new Directors, and specific training on the Listing Rules and regulations or investors relationship management held by the Company. Meanwhile, the Company also arranged some directors to participate in the training courses or seminars talks which were held by Shenzhen Securities Regulatory Bureau and The Hong Kong Institute of Chartered Secretaries. In addition, some Directors/Supervisors took the initiative to participate in training courses held by such professional institutions such as The Hong Kong Institute of Directors, The Hong Kong Institute of Bankers and Society of Business Practitioners of the UK etc. and provided the records of attendance to the Company. Details for the Company's Directors/Supervisors participating in training in 2012 are set out as follows:

	Participation e in Training Programs in 2012			
Directors/Supervisors	Directors' liabilities of directors of listed companies	Updates of Listing Rules and regulations	Practice of corporate governance	Financial management and related issues
Yang Hai	√	√	√	—
Wu Ya De	√	√	√	—
Li Jing Qi	√	√	√	—
Zhao Jun Rong	√	√	√	—
Hu Wei	√	√	√	—
Tse Yat Hong	√	√	√	√
Zhang Yang	—	√	—	—
Chiu Chi Cheong, Clifton	√	√	—	√
Wang Hai Tao	√	√	—	—
Zhang Li Min	—	√	√	—
Au Sing Kun	√	√	√	—
Lin Chu Chang	√	√	—	—
Zhong Shan Qun	√	√	—	
He Sen	√	√	—	√
Fang Jie	√	√	√	—

V. Specialised Committees of the Board

Five specialised committees have been set up under the Board. The terms of reference of each committee are available on the website of the Company for the access of investors and the public. Members of the specialised committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. Other than the Strategic Committee, the chairmen of other specialised committees are held by the Independent Directors. During the Reporting Period, the composition of each committee was as follows:

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

Details for the attendance of the committee members in committee meetings, please refer to point IV of the Directors' performance on their duties are set out above. The Company has appointed appropriate management personnel to serve as the secretaries to the committees. All items approved at the meetings of the committees are recorded and filed appropriately. The chairmen of the committees are responsible for the report on the work of the committees at the Board meeting, and submission of relevant minutes for filing. The committee may seek for independent professional advice when performing its duties or for business needs subject to the stipulated procedures. The costs so incurred will be borne by the Company. The duties of each committee in 2012 are set out as follows:

1. *Strategic Committee*

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

In 2012, the Strategic Committee held one meeting, at which the committee heard the review summaries of the specific implementation of the development strategies of the Company, and has discussions on the progress in the implementation of strategies and the expansion into new industry.

2. *Audit Committee*

The Audit Committee was established in August 1999. It comprises Non-executive Directors, with the majority being Independent Directors. The committee is responsible for reviewing and monitoring the financial accounting policies, procedures of the Group's financial reporting and the quality of the financial reports; evaluating the soundness and effectiveness of the Company's internal control systems, monitoring the Company's fraudulent risk and management measures; coordinating the auditors' work and reviewing the efficiency and quality of their work and their appointments; reviewing internal audit reports as well as the management's feedback, and taking charge of the control and daily management of connected transactions of the Company.

In 2012, the Audit Committee held five meetings, and the major tasks completed including periodical review of the financial statements, supervision and evaluation of the internal control systems, coordination and evaluation of the work of auditors and recommendations for appointments, guidelines on anti-fraudulent work, examination of connected persons list and the review of terms of reference of the Committee etc. For details, please refer to Section 3 Report of the Audit Committee in this Chapter.

3. *Remuneration Committee*

The Remuneration Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for studying and examining the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Company's Directors and senior management, and conducting appraisals thereof. For the remuneration of the Directors, the Committee only made recommendations to the Board and shall be specifically determined in the General Meetings.

In 2012, the Remuneration Committee held one meetings, and the major tasks completed including appraisal of the operating performance of the Executive Directors and the management in 2012, examination of the management's operating targets in 2012, review of the remuneration package and the disclosure arrangements of the Directors and senior management, and review of terms of reference of the Committee etc. The committee submitted a special report on the progress of each task as at the date of this report and the Company's remuneration and benefit policy and performance appraisal system. For details, please refer to Section 4 Report of the Remuneration Committee in this Chapter.

4. *Nomination Committee*

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

In 2012, the Nomination Committee held two meetings, the major tasks completed including discussion on the term ends appraisals and re-appointment of senior management and recommendations to the Board. During the Reporting Period, there was no nomination of Directors or appointment of new Directors.

Corporate Governance

Section 1 – Corporate Governance Practice Report

5. *Risk Management Committee*

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

In 2012, the Risk Management Committee held two meetings, and the major tasks completed including the review of the annual risk report and risk management plans of the Company, review of the updates of financial warning indicator system, monitor the material changes of the warning indicator and the review of the risk analysis of the specific projects invested by the Company. The committee and the management discussed the major risk which the Company have to face and the responsive measures, recommended the Board to pay attention to the risk related to Guilong Project, and determined the subsequent development plan as soon as possible based on basis of a carefully study.

VI. Supervisory Committee

The Supervisory Committee is accountable to the shareholders' general meetings and independently exercises its supervising authority upon the Company in a lawful manner, to prevent the legal rights and interests of the Shareholders, the Company and its staff from being infringed. The Articles of Association and its appendix (the Rules of Procedure for the Supervisory Committee) of the Company set out the powers and authorities of the Supervisory Committee in details.

The Supervisory Committee of the Company is composed of three supervisors, comprising two shareholders' representative supervisors and one staff representative supervisor. The current Supervisory Committee was elected by the Shareholders at the extraordinary general meeting held in November 2011. The terms of office of all supervisors was from 1 January 2012 to 31 December 2014. The members of the Supervisory Committee were Zhong Shan Qun (Chairman of the Supervisory Committee), He Sen and Fang Jie. Details for the biographies of the Supervisories (including their terms of office, professional qualifications and principal positions) are set out in Chapter VIII of this annual report.

In 2012, the Supervisory Committee held five meetings, and the Supervisors also attended and observed all the shareholders' meetings and Board meetings. They reviewed the resolutions of Board meetings and shareholders' meetings and monitored the Company's decision-making procedures and the legality, the implementation of the resolutions of the shareholders' meetings by the Board, the implementation of Company's profit distribution policy, the disclosures of periodic reports and other information, the performance of the duties by the directors and senior management and the implementation of relevant regulatory requirements.

During the Reporting Period, there was no incident about which the Supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision for during the Reporting Period.

VII. Accountability and Audit Supervision

1. *Statement of the Responsibilities towards the Financial Statements by the Board*

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

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

It is the responsibility of the Directors to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial positions and that the financial statements are in compliance with the requirements of relevant accounting standards.

2. *Financial Reporting*

In the periodical financial reporting over the years, the Board made efforts to prepare documents and disclose information based on the principles of more and strict in compliance with the provisions of the relevant laws and the Listing Rules to fit the regulatory requirements of both Shanghai and Hong Kong exchange. On this basis, the Company took the initiative to understand what the investors focused on, carrid out more targeted voluntary information disclosures, in order to make a comprehensive, objective, fair and clear statements on the operations and management prospects of the Group. Other than carried out a deep and comprehensive analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information on the risks that our business faced in operating activities, operational environment, responsive measures, development strategies and plans etc. in the annual report to enhance investors' understanding on the company's business, management and development trends. The Company has also prepares and publishes reports on quarterly results within 30 days upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The information disclosed by the Board should be sufficient to allow the Shareholders to assess the Company's performance, financial positions and prospects.

3. *Internal Monitoring*

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining an internal control system of the Company for the review of the effectiveness of those important control procedures such as finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets.

The Company carried out annual reviews on the soundness and effectiveness of the internal control system of the Group and issued an internal control self-assessment report. Since 2011, the Company has been engaging an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in accordance with the requirements of the CSRC and the SSE. For details, please refer to Section 2 Internal Control in this chapter.

4. *Auditors*

The financial statements contained in this annual report were prepared in accordance with CAS, and have been audited by PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian"). Upon the approval of general meeting, the Company appointed PwC Zhong Tian as the Company's statutory auditors for the year 2012, to carry out a comprehensive audit for the annual financial statements and the internal control system and perform such duties as performed by the Company's international auditor as provided in the Listing Rules of the Stock Exchange. In addition, PwC Zhong Tian was appointed as the Company's auditor on internal control for the year 2011. PwC Zhong Tian has been was appointed as statutory auditors since 2004. It has been providing audit services to the Company for 9nine consecutive years and has changed its endorsing certified public accountants in 2006, 2008, 2009 and 2011 respectively.

The remunerations of the Company's auditors (PwC Zhong Tian and any other entities under the common control, ownership or management, including but not limited to PricewaterhouseCoopers) for in the year 2012 are set out as follows:

(Unit: RMB'000)	**2012**	2011 (Restated (2))
Financial statements audit/review fees	**3,480**	3,304 (2)
Internal control audit fees	**630**	700
Specific service fees related to issue of securities	**–**	100
Others	**80**	160 (2)

Notes:

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

(2) JEL Company has been consolidated into the Group's financial statements since 1 July 2011. To maintain the comparability of the statistics, the annual audit fees of JEL Company which was previously included in "Others" will be restated under "Financial statements audit/review fees". The 2012 Financial statements audit fees of JEL Company amounted to is RMB240,000 (2011: HK$400,000, equivalent to approximately RMB324,000).

Corporate Governance

Section 1 – Corporate Governance Practice Report

As above-mentioned, Qinglian Company and Advertising Company, the Company's subsidiaries, engaged Pan-China Certified Public Accountants Company Limited to perform audit services. The audit fees for the year 2012 amounted to RMB80,000 and RMB25,000 respectively (2011: RMB80,000 and RMB20,000).

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditors, and made recommendations to the Board in respect of the appointment or replacement of the auditors. The appointment or replacement of the auditors as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. The Audit Committee has conducted a summary evaluation on the 2012 auditing work and has made proposals to the Board on the appointment of the Company's annual auditors for the year. For details, please refer to Section 3 Report of the Audit Committee in this Chapter.

VIII. Conclusion

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

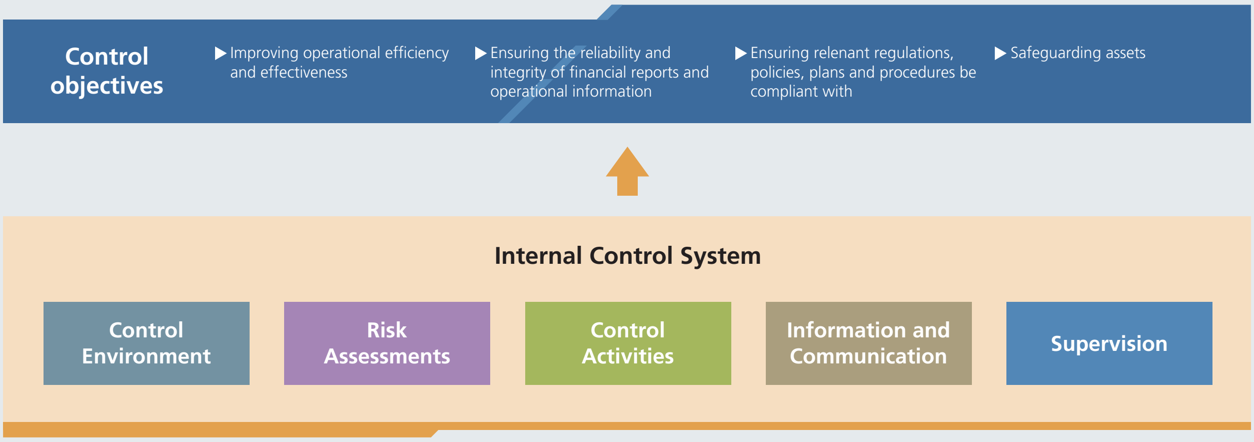
By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 22 March 2013

Corporate Governance

Section 2 – Internal Control

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



The Board is responsible for developing and maintaining appropriate internal control system relating to the financial reporting. The objectives of the internal control relating to the financial reporting are to ensure that the information on the financial reports is true, complete, and reliable and to avoid material misstatement. In view of inherent limitations of the internal control, only reasonable assurance to the aforesaid objectives can be provided.

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

To further fulfill the requirements of Internal Control of Enterprises-Basic Principles and relevant Supplementary Guidelines jointly issued by five ministries including Ministry of Finance and CSRC, the Company formulated an annual Assessment Plan for Internal Control in early 2012, specifying the targets and tasks for the establishment and improvement of internal control system, self-assessment and auditing. During the Reporting Period, all the main tasks progressed as scheduled, and the Company's internal control system was further strengthened.

In 2012, the Board evaluated the related internal control in the Group's financial report according to the Internal Control of Enterprises-Basic Principles and issued an Assessment Report for Internal Control. The scope of evaluation included the Company, Qinglian Company and Magerk Company and covered main business and matters of these aforementioned companies. In the opinion of the Board, during the Reporting Period, the Group has established internal control for the business and matters being incorporated in the scope of evaluation, and has implemented effectively to meet the Company's goal for internal control, and there was no material deficiency. The Supervisory Committee reviewed the report, and was of the view that the report comprehensively and objectively evaluated the actual situation of the Company's internal control and has no disagreement with the report. In addition, PwC Zhong Tian appointed by the Company has audited the effectiveness of internal control relating to the financial reporting, and issued unqualified audit opinion. Assessment Report for Internal Control 2012 and the audit report issued auditor (Chinese version) were disclosed on the website of the exchanges in separate report.

For the establishment of the sound internal control system and the maintenance of its effectiveness, the Company has considered five basic aspects, namely control environment, risk assessments, control activities, information and communication, and supervision.

Corporate Governance

Section 2 – Internal Control

The Board's identification of each aspect of the Company's internal control system and the results of self-evaluation for 2012 are summarised as follow:

Control Environment

- ✓ Corporate governance structure is clear with regulated operation; the Board is composed of Directors with appropriate knowledge, skills and qualities, and has sound structure and division of duties.

- ✓ A President Accountability System under the leadership of the Board and a Delegated Representative System through authorisation were established; internal functional unites were properly set-up, with timely adjustment, division of duties and authorisation based on business development needs; relevant regulations on the avoidance of appointment of financial personnel were formulated and the organisational structure and division of duties of financial department are reasonable and is in compliance with the internal control system.

- ✓ Development strategies were formulated, and a comprehensive budget, quality, risk and performance management system was implemented to ensure the achievement of the overall strategic goal.

- ✓ The management attached importance to the cultivation of corporate culture, set up fundamental direction of integrity and stable development, and formulated the "Employee Manual" and the "Anti-fraudulent Work Regulation" to regulate employees' behaviors, integrity and conduct.

- ✓ National laws and regulations and policies are strictly complied with, the documents on the procedures for and implementation of human resources management were prepared, detailed procedures for employment, enrollment, training, appraisal, remuneration and benefits and demission of employees were developed.

Risk Assessments

- ✓ Uniform Procedures for Risk Control Management were established to define the risk assessment model and the risk evaluation criteria, and qualitative evaluation was carried out to evaluate risks from two dimensionalities, i.e. probability and impact of the risks.

- ✓ On preparation of the annual work plans and special plans, those risk factors that may affect the achievement of the goals were comprehensively identified and assessed, and correspondent risk response measures and annual risk management plan were formulated, material risks on the corporation level was identified as the key area of the annual risk management, and the implementation of the risk management plan were reviewed and assessed in the middle and at the end of the year.

- ✓ In 2012, the annual indicators and intervals of the financial warning were reviewed and revised, the Group's financial risks warning indicator system was monitored regularly and the results was reported to the Company's management and Risk Management Committee of the Board.

Control Activities

- ✓ A general internal control management system covering various segments and such key areas of management supporting those segments as investment, project construction, maintenance and repair, toll collection, financial management, know-how and information management, human resources, information disclosure, management of invested companies and internal audit was established.

- ✓ Such control measures as incompatible duties separation control, authorisation approval control, accounting system control, asset protection control, budget control, operation analysis control and performance assessment control were adopted, and the documentation of internal control management system was continuously improved and modified in line with the change of business development and relevant regulations, so as to ensure the compliance, rationality and applicability of the Company's internal control management system.

Information and Communication

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

Internal Supervision

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

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

Corporate Governance

Section 3 – Report of the Audit Committee

The Audit Committee of the Company works within the Terms of Reference approved by the Board, and is mainly responsible for conducting independent reviews in respect of the quality and efficiency of the financial reporting and internal control of the Company. In 2012, the Audit Committee held five meetings, four of which the auditors were invited to attend. The Committee also held one independent meeting with the auditors. The Audit Committee has in place a mechanism to hold independent meetings at its own request or upon the requests of the auditors, the management or the Audit Department, so as to ensure independence and objectivity of reporting. This report will give an account of the performance of duties of the Committee in the year and set out the opinions of the Committee for such matters as 2012 annual financial statements and re-appointment of auditors.

I. Review of Periodic Financial Statements

The Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During the year, the Committee reviewed the annual financial statements of 2011 and the unaudited financial statements for the first, interim and the third quarters of 2012, and made recommendation to the Board for approval. The specific works of the Committee include the following:

- The Committee reviewed the interim and the quarterly financial statements of the Group, heard the report on the auditing from the auditors and discussed the handling of the significant financial and accounting matters with the management and the auditors.

- Before the annual audit began, the Committee obtained the Work Plan on the Preparation of Annual Financial Statements and Audit from the Company and the annual audit plan from the auditors. It also held meetings with the auditors and discussed the composition of its audit team, risks for the year, scope of audit, method of audit and focus of audit, and the schedule for the annual audit.

- Before the annual audit began, the Committee preliminarily reviewed the Group's financial statements and provided its written opinions, and paid special attention to the handling of the significant financial and accounting matters for the year.

- The Committee supervised the completion of the annual audit by the auditors as scheduled and timely discussed material matters with the auditors. After the auditors issued the preliminary audit opinion, the Committee reviewed again the financial statements of the Group and had in-depth discussion and confirmation with the management and the auditors over the appropriateness of the accounting policies adopted by the Group and the reasonableness of the accounting estimates.

- The Committee reviewed the internal review report and the relevant review checklist for periodic reports, and examined the annual report, the interim report and the quarterly reports in terms of the compliance with statutory disclosure rules and completeness and accuracy of the disclosed matters. It also examined the compliance of corporate governance practices of the Company and the contents of the corporate governance report of the Company.

Moreover, the Audit Committee held two meetings in early 2013 (up to the signing date of this report) to review the 2012 annual financial statements and annual report. Based on the results of relevant work and with reference to the audit opinions of the auditors, the Committee had the opinion that the Group's 2012 financial statements truthfully and reasonably reflected the operating results and the financial position of the Group, and thus recommenced the Board to approve the same.

II. Internal Control and Risk Management

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

The Committee is responsible for examining the annual work plan and its the summary of results, specific audit plans and the report on the specific audit done by Audit Department of the Company, and monitoring the work performance of the department. It also discusses with the management of the Company in relation to the works of Audit Department so as to ensure that it has sufficient resources and appropriate position to perform its duties, and thus can play a key role in the internal control and risk management of the Company.

In 2012, as required under The Quality Controlling Procedures for Evaluation of Internal Control of the Company, the Committee considered and approved The 2012 Assessment Plan for Internal Control. The Committee studied the progress of the Company's internal control establishment and evaluation tasks, including the preparation and review of Management Manual on Internal Control of each company covered in the scope of internal control evaluation and the key deficiencies found during internal control tests and their correction, through periodical summary of performance and reports submitted by Audit Department. In particular, the Committee thoroughly reviewed the draft of internal control process test for the preparation of financial statements. It also reviewed related division of duties, quality of human resources and training arrangements. And the Committee considered that the Company's resources and participation, and the qualifications and experience of relevant staff members, in the accounting and financial reporting functions were satisfactory during the Reporting Period.

The Audit Committee reviewed The 2012 Assessment Plan for Internal Control of the Company and discussed with the auditors the scope of audit, the audit results and audit opinions in respect of the audit of internal control, and assisted the Board in making independent evaluation on the effectiveness of the Group's internal control. During the Year, the Committee continued to provide the management with professional advice on the Group's significant matters and the enhancement of management standards, and reminded the management of any risks associated with such matters on an ongoing basis.

III. Anti-fraudulent Work

In 2012, the Audit Committee provided guidelines for and supervision on the anti-fraudulent work of the Company in accordance with the Anti-fraudulent Work Regulation of the Company. It exchanged opinions with the auditors for the annual audit on risks of fraud and their management and control measures, studied the suggestions on internal control made by both the auditors and Audit Department of the Company and the feedback and the progress of rectification reported by the management, and reviewed the significant accounting policy and accounting estimates adopted by the management. Based on the work as mentioned above, the Audit Committee considered that the Company's risk management and control regarding anti-fraudulent has been effective.

IV. Control and Routine Management of Connected Transaction

In 2012, there is no significant connected transaction occurred by the Company. On the basis of the understanding related to identify and approval procedures of connected transactions, the Committee reviewed the preparation and documentation for the connected persons lists of the Company during the year.

V. Work Evaluation and Re-appointment of Auditors

In 2012, the Company appointed PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. ("PwC Zhong Tian") to conduct a consolidated audit on the annual financial statements and internal control system, and to perform its duties as the Company's international auditor as provided in the Listing Rules of the Stock Exchange.

In compliance with the requirements under the Management Rules for Selection of Certified Public Accountants for the Annual Audit of the Company, the Audit Committee summarised the audit work of PwC Zhong Tian in 2012 upon holding discussion and making assessment with the maneagement. The Audit Committee had the opinion that PwC Zhong Tian performed well in terms of independence and objectivity, professional skills, quality and efficiency of financial information disclosure auditing, and the communication with the management, the Audit Committee and the Board and proposes the Company to re-appoint PwC Zhong Tian as the Company's auditor for the year 2013 to conduct a consolidated audit on the annual financial statements and the internal control system, and to perform its duties as the Company's international auditor as provided in the Listing Rules of the Stock Exchange.

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

Shenzhen, PRC, 22 March 2013

Corporate Governance

Section 4 – Report of the Remuneration Committee

The Remuneration Committee of the Company carries out its works according to the terms of reference approved by the Board. The committee is mainly responsible for studying and devising the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Company's Directors and the senior management, and conducting appraisals thereof. The committee aims at procuring the establishment and adoption of a reasonable performance evaluation system and incentive remuneration policies by the Company. This report will give an account of the performance of the duties of the committee in the year, and details of the remuneration and benefits policies and the performance evaluation system of the Company.

I. Work of the Remuneration Committee in the Year

The works completed by the Remuneration Committee in 2012 mainly include:

- reviewing the Terms of Reference of the Remuneration Committee and proposing the recommendation on amendment;
- evaluating the operating performance of the management and the Executive Directors for 2011, reviewing the implementation of the remuneration plan for the Directors and senior management and submitting the appraisal results and recommendation on rewards to the Board;
- reviewing the remuneration disclosure proposal for 2011 for the Directors and senior management;
- reviewing the formulation of the operating performance target of the Company for 2012 and giving the review opinions.

As at the date of this annual report, the Remuneration Committee has held its first meeting in 2013. The committee has appraised and evaluated the operating performance of the management and the Executive Directors for 2012, and reported to the Board on the review opinions on the formulation of the operating performance target of the Company for 2013. Moreover, the committee has reviewed the annual disclosure proposal for the remunerations for the Directors and senior management and concluded that the relevant disclosure met the requirements of securities regulations.

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

The remuneration of the Directors and the Supervisors of the Company are determined in accordance with relevant PRC policies or regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting after separate deliberations by the Board and the Supervisory Committee. The Remuneration Committee is responsible for advising the Board on formulating the proposed plans for the Directors' remuneration.

According to the proposed plans approved by the Shareholders at the extraordinary general meeting held in November 2011, four Independent Directors and a Director not nominated by the Shareholders in the sixth session of the Board of the Company received Directors' emoluments, and the Company would not separately determine or pay any emolument to the Directors and the Supervisors who are entitled to receive management remuneration in the Company or shareholder entities. Details of the remuneration received by the Directors and the Supervisors for the year are set out in Chapter VIII of this annual report.

III. Remuneration and Benefits Policies of the Company

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefit (《薪酬福利管理程序》) of the Company. Staff remuneration and benefit, comprising wage, performance bonus and statutory and company benefits, are determined according to the market value of the position and the overall performance of the staff members, which are strategy, market and performance oriented and internally and externally impartial. Pursuant to statutory requirements, the Company has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the Housing Provident Fund Plan, and has applied various protection plans such as basic medical insurance package, work injury insurance, unemployment insurance and child-bearing insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labor and social security authorities and housing provident fund management center respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund expense. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management members and key technical staff members. As at 31 December 2012, the Company has 12 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen social security authorities, and there is no obligation for the Company to bear the retirement costs. For details of the benefits for employees, please refer to note 5(15) to the Financial Statements in Chapter XI of this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management remuneration based on their specific management positions in the Company. Monthly salaries and performance bonuses of senior management account for approximately 60% and 40% of their total remuneration respectively, of which performance bonuses are calculated based on the completion of annual performance targets by them, and are proposed or reviewed by the Remuneration Committee.

IV. Performance Evaluation and Incentive System of the Company

The Board determines the Company's annual operating performance targets at the beginning of each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. In 2012, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and growing, and included return on shareholders' equity, operating revenue, expenses and profit, customers' satisfaction, investing and financing management and new industry promotion, engineering management, operating and general management and human resources development.

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

Currently, the Company has not yet established any long-term incentive regime or implemented any share option incentive scheme for the time being. In order to encourage the management to pay more attention on the long-term performance and strengthen the restrictive regime, the Company established a deferred payment scheme of annual bonus for the core management members by establishment of bonus pool. The payment of their annual performance bonus shall be deferred in accordance with a certain proportion and principles. The amount deferred are to be re-accounted, confirmed and paid upon the completion of the proposed target so as to attract, motivate and retain the talents. In 2012, according to the completion of relevant target, senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian received deferred bonuses (before tax) of RMB40,000, RMB43,000, RMB43,000, RMB41,000, RMB41,000, RMB39,000 and RMB41,000 respectively.

V. Ongoing Reviews

The committee will assist the Board to review the remuneration policies and incentive regime of the Company on an ongoing basis, and ensure that none of the Directors, senior management members or their associates is allowed to set his/her own remuneration.

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

Shenzhen, PRC, 22 March 2013

Corporate Governance

Section 5 – Investor Relations Management

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

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

I. Information Disclosure

Information disclosure is not merely an ongoing responsibility and obligation that a listed company must fulfill. Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the basic principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and listing rules, and fulfilling the information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns, so as to enhance the quality of the Company's information disclosure and to increase its transparency.

In 2012, the Company timely announced its annual, interim and quarterly reports and released approximately 40 announcements disclosing in detail the following information of the Company: operating results, daily operation, investment and financing activities, operations of the Board, the Supervisory Committee and general meetings, and so forth. The Company acted as an industry pioneer to, on its own accord, start to disclose its monthly operational statistics in the form of announcements. The Company also maintained to provide in-depth and comprehensive analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports, in addition to information on various risks faced by the Company in its operating activities and the coping measures, with a view to strengthening investors' understanding about the operations, management, and development trends of the Company.

II. Investor Relations Activities

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

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

◆ Making the public known the investor hotline, investor relations email box, and web-site "investors' message" section, and promptly responding to investors' enquiries. In 2012, the Company replied approximately 300 investors' enquiries through web-site, telephone or via email.

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

◆ Properly arranging visits and assistance for research upon the requests from the investors. In 2012, the Company received in aggregate of 19 investors' visits involving 46 visitors, with an open-minded attitude communicating with the investors, which has built up a direct communication mechanism between investors and the Company.

- Conducting various presentation activities, including organising results presentations and press conferences, online investor meetings, non-deal road-shows and reverse road-shows. The Company also participated in different investor forums for face-to-face interactions with investors. Details of various presentation activities of the Company during 2012 are as follows:

March	◆	Held annual results presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised non-deal road-shows in Hong Kong
	◆	Held analyst luncheon in Shenzhen
April	◆	Held an online investor meeting
May	◆	Participated in "2012 A-share Corporate Day" held by CICC in Hong Kong
June	◆	Participated in "Asia Transport Conference 2012" held by UBS in Hong Kong
July	◆	Participated in "HK/China Mini Conference (Theme: Infrastructure & Machinery)" held by CITI in Hong Kong
August	◆	Held interim results presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised non-deal road-shows in Hong Kong
September	◆	Organised "Reverse Road-show 2012"
October	◆	Held an online investor meeting
November	◆	Participated in "2012 Greater China Conference" held by CITI in Macao
	◆	Organised "Media Road-show"
December	◆	Participated in "Infrastructure Corporate Access Day" held by J.P. Morgan in Hong Kong

- Regularly dispatching investor e-news on the operations and developments of the Group. The Company issued a total of 7 issues of "E-flash Report" or "E-newsletter" in 2012, providing information to the investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Besides dispatched by means of email, "E-newsletter" and "E-news" is also uploaded to the Company's website for investors' access at any time.

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

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

Corporate Governance

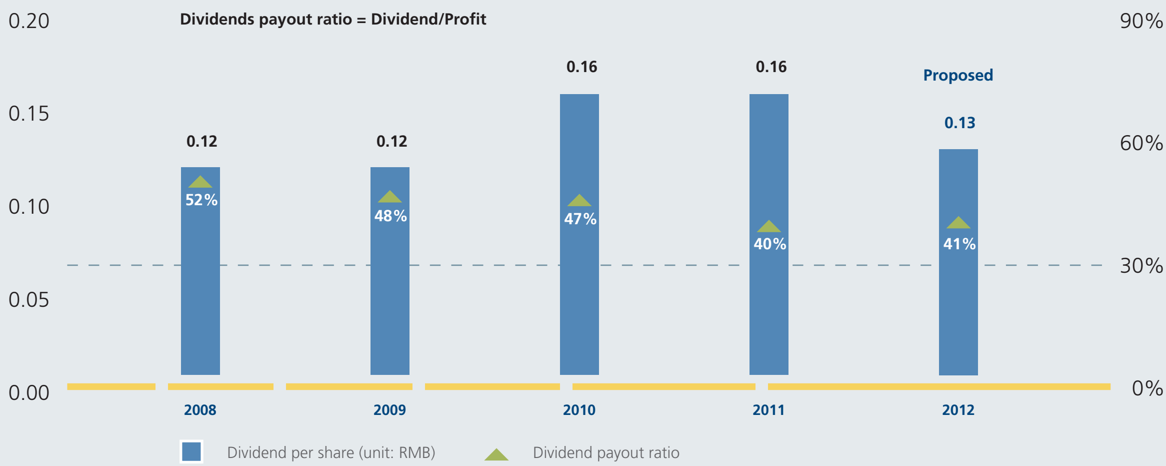
Section 5 – Investor Relations Management

III. Shareholder Return

The Company insists in rewarding its shareholders with high return ever since its flotation, underpinned by the payment of cash dividends for fifteen consecutive years with an aggregate cash dividend payment of approximately RMB3.77 billion.

The Board recommended the payment of a cash dividend of RMB0.13 (tax included) per share for the year 2012, representing 41.4% of the earning per share. For details and policy and performance of cash dividends, please refer to Chapter VI of this annual report.

Historical Dividend Payout Ratio



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

Corporate Social Responsibility

The Company is principally engaged in the construction and investment of high-grade highways, which not only meets the needs of society for rapid transportation, but also effectively facilitates the regional economic and social development. As such, the basic social responsibility of the Company is to provide high quality products and thereby "safe, rapid, economical and comfortable" transportation services to the society.

While providing products and services to generate profits, the enterprises should respect the interests of the stakeholders including its shareholders, customers, staff members, creditors, service providers and the community and continue to show their concerns for the impact on the environment. Such concerns and respects come from the importance of stakeholders to corporate development, and also from the gratitude and return of enterprises to the society and their environment for existence. Shenzhen Expressway has been showing the sincerity to act as a responsible corporate citizen and instilling the concepts of sustainability and social responsibility in our daily operation and corporate culture.

I. Quality and Safety

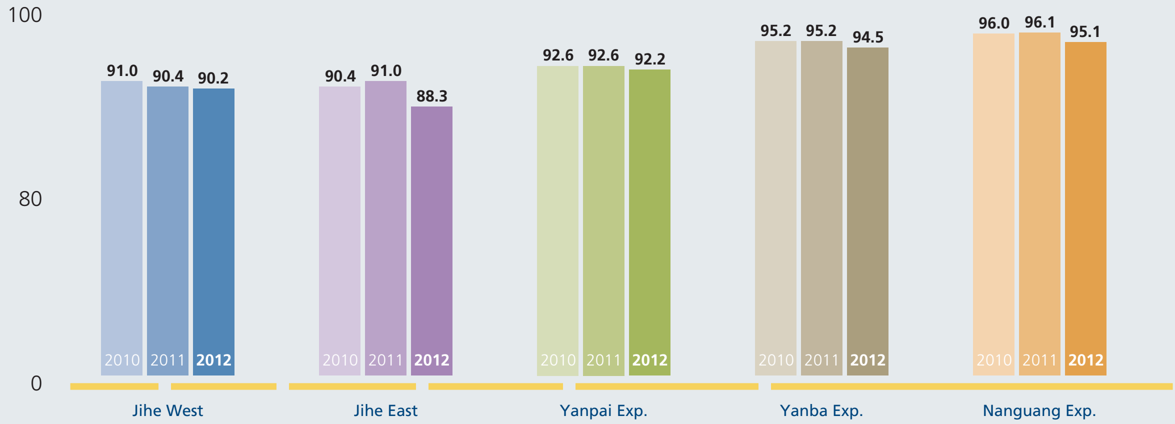
The Company committed to construct high quality highways and maintain good technical conditions of the highways during the period of their operations, and to implement production safety measures in the course of construction and operation. High quality products are the foundation of the sustainability of the Company and the social responsibility that the Company undertakes.

For the management of the construction of self-constructed and entrusted highways, the Company established a comprehensive business flow and quality control system for the whole process which has been implemented and complied in each operating segment of the projects. The Company established a management system for the acceptance of construction material with the inspections and sample checks being carried out by third parties for the key material and some construction entities in order to eliminate the risks of poor quality construction material. During the construction of a project, the Company fully implements standardised management and benchmark management to strictly monitor the quality of the construction works. With a quality management system that meets scientific standards and sound system implementation, the Company has continued to maintain a higher standard for the quality of the construction works of its projects. In 2012, the Coastal Project and the expansion work of Meiguan Expressway both ranked top in the "Comprehensive Assessment on the supervision of construction quality of highways under construction"(在建高速公路工程品質監督綜合檢查評比活動) in the province. The second contracted segment of Nanping (Phase II) Section A, an entrusted construction project of the Company, was awarded "Shenzhen High Quality Engineering Prize" (深圳市優質工程獎) by Shenzhen Construction Industry Association (深圳市建築業協會).

Strengthening highway maintenance management helps to timely eliminate hidden dangers to the safety, maintain sound highway technical conditions and extend useful life of the highways, thereby effectively enhancing highway transportation efficiency. The Company has established a system for highway maintenance management, and closely monitors highway technical conditions to timely identify highway damages and carry out repair works for efficient road traffic. In the implementation process of maintenance work, the Company controlled its project quality in strict compliance with various technical regulations and introduced a concept of preventive maintenance to maintain a higher quality of the road surface conditions over a long period of time. During the Reporting Period, the highway Maintenance Quality Indicator of each expressway managed by the Company was graded as excellent or good.

Corporate Social Responsibility

Highway Technical Condition Index (MQI) of Highway Directly-managed by the Company in 2010-2012

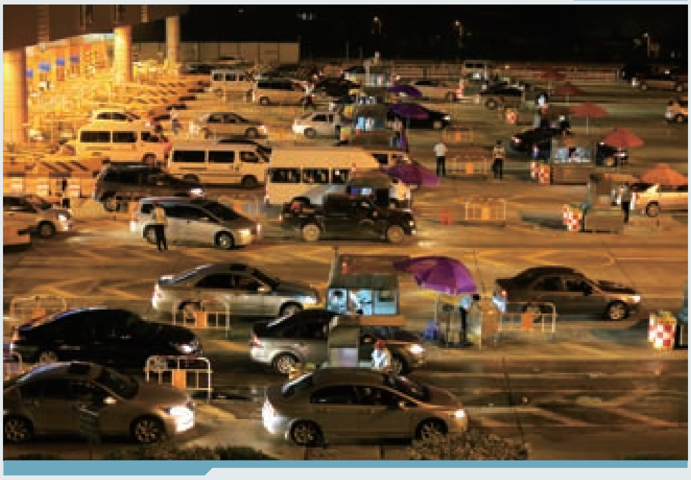


Note: Highway Technical Condition Evaluation comprises four parts, namely road surface, road bed, bridge and tunnel structure and roadside facilities, represented by MQI (Maintenance Quality Indicator), a highway technical condition index, and corresponding sub-indexes. It is classified into five grades, namely excellent, good, average, sub-standard and poor, where a project scoring 80-90 is good, over 90 is excellent. No highway technical condition evaluation was conducted on Meiguan Expressway during the year 2010 to 2012 as it is under reconstruction, expansion and maintenance.

The Company established a safety management system and continuously improves the safe production system and the standards to clarify the responsibilities on safety. During daily management, the Company adheres to the safety management principle of "safety comes first, focus on prevention" and put focus on forecasting, early warning, alarming and prevention. In order to ensure the realisation of the safe production target of construction projects, the Company requires the contractors and supervisors to establish various levels of sound safety assurance and management systems, to identify safety hazards and formulate specific measures and contingency plans. Meanwhile, the Company increases the number of inspection visits, and regularly organises specific inspections on the safety management of major hazard with a view preventing various kinds of accidents.

II. Services

The Company constructs and manages highways, and provides safe and efficient transportation services for the road users. At the same time, the Company also undertakes the social responsibility of organising and diverging the traffic flow to ensure smooth road traffic and keep improving customer satisfaction.



The Company established a customer service centre for the coordination in respect of monitoring and supervising the traffic flow, carrying out emergency response and diverging the traffic flow through strict implementation of the standards and procedures, which has effectively improved the efficiency and quality of the services.

By making scientific analysis and constant attempts and conclusion through practices, the Company has established an effective peak-hour traffic divergence and emergency management system, covering such management modules as traffic flow forecast, resource allocation for emergency, graded responses and controls, guidelines for standardised operation and problem solving, training and mock operation, traffic guides and information release, peak-hour traffic divergence, command and deployment, and post-management assessment, to effectively guide and diverge the traffic by systematic management. During the Mid-Autumn Festival and National Day in 2012, the policy on holiday free-pass for small passenger cars were firstly implemented in China. Facing the skyrocketing traffic flow, the Company implemented the highest level of contingency response plans to ensure a safe, orderly and smooth traffic during the holidays. The management model of the Company gained recognition and exemplary promotion in the specific inspections held by provincial and municipal transportation departments.

In 2012, the total annual complaint rate for the operation was 0.843 per 100,000 vehicles, of which the reasonable complaint rate was just 0.055 per 100,000 vehicles. During the year, the Company has carried out the customer satisfaction survey mainly targeting at road users by means of questionnaire and telephone interview. According to the statistical result, the overall customer satisfaction index for 2011 is 80.3, maintaining at a high level of satisfaction.

Corporate Social Responsibility

III. The Staff

The Company values and protects the legal interests of its staff, strives to provide them with a healthy working environment, and builds a multi-level career development platform for the staff in order to achieve a harmonious win-win situation between the interests of the staff and the Company.

The Company keeps the philosophy of long-term employment, adheres to the equal opportunities for women and men and equal pay for equal work, and prohibits the employment of underage workers in any form. The remuneration and benefit package of the Company were formulated pursuant to the statutory requirements and with reference to the market practices. For details, please refer to the Report of the Remuneration Committee in Chapter IX of this annual report. In 2012, the Company has raised the overall remuneration of the toll collection staff for three consecutive years to protect the interests of the staff members and share the operating achievement of the Company with them. In addition to offering reasonable remuneration, the Company has also voluntarily procured commercial insurance on personal accidents for all staff members, and the Company's labour union has initiated the "Employee Mutual Aid Fund for Major Diseases and Personal Accidents" to strengthen staff's ability of resisting the risks of illnesses and injuries. For those staff members who suffer from on-the-job injuries, the Company will do the best to offer rescue and treatment. The Company also strictly observes relevant regulations on work injury insurance. In 2012, the Company made claims for the work injuries for six staff members who suffered from on-the-job injuries.

The Company uses its best endeavour to create a healthy working environment for its staff by equipping with necessary occupational safety equipment and recreation facilities. It also shows their concern for the health of the staff members through, among others, the provision of regular body checks, seminars on health care and counseling. The management of the Company will get to understand what the staff members think via such channels as daily communication, performance interviews, the suggestion box for the staff, the staff forum, the company's mail box, seminars and questionnaires.

The Company helps the staff members fully exploit their potential by setting up a career development system, multi-layered training system and staff incentive system for the success of the Company and the self-development of the staff members. In 2012, the Company and its departments have organised 61 training sessions with 1,823 person-times participating in the training and accumulated training hours of 12,805 hours. Staff members of all levels from toll collectors to senior management received the training. Meanwhile, the Company has also established an online training college and implemented academic qualification and professional examination system. Subsidies or incentives are granted to the staff members who take relevant academic qualification and professional examinations to encourage them for continuous learning and improvement. For toll collectors who have been working over 5 years, the Company has launched a re-employment incentive payment scheme to encourage the staff members to return to workforce on the basis of acknowledging their contributions to the Company. This provides more opportunities and choices for their career development. For incentive and career development of the staff members, the Company has set up a customer and business oriented performance management and remuneration incentive systems, established a reserve talent bank and system for selection, training, appointment and appriasal of the reserved talents, and built up a "dual path" career development approach for administrative and technical posts, and is setting up a management system for the staff's career planning. The Company expects to provide diversified ways for the growth of the talents to boost the development of the Company, leading to a win-win situation between the Company and the staff.

IV. Environmental Protection

During operation and construction, the Company complies with the environmental regulations of the government, advocates green operation, implements green construction, and actively promotes the application of new materials and new techniques. It focuses on the conservation and use of the resources, and is committed to fulfill the social responsibility in relation to the environmental protection.

The Company sees reduction of energy consumption and carbon emission as its key concern in highway operation management and promotes low-carbon operation. Through strengthening the training for toll collection process and skill training, the Company has increased the manual toll collection efficiency. In addition, measures such as setting up auto toll lanes, installing self-service card issuing machine and maintaining smooth road surface are adopted for efficient road traffic to help reduce petroleum consumption and exhaust emissions of vehicles. Moreover, the Company installed energy saving lighting facilities for road lighting installation work and adopted the investment model of Energy Management Contract. In 2012, the Company saved about 430,000,000kWh of electricity with saving rate 52%.

In the course of construction, the Company analysed the environmental impacts at the project planning stage, and put forward measures and strategies for pollution prevention, reductions on the environmental impacts and improvement of existing environmental problems in the design and construction plan with reference to the scope and degree of such adverse effects. At the construction stage of projects, the Company strengthened its environmental monitoring and made stipulations in the contracts to regulate the activities of the construction units to introduce the concept of green construction so as to implemented various measures for green environment, reservation of soil and water resources, pollution prevention. It also focused on resource conservation and encouraged the re-use of construction waste.

For road maintenance, the Company has actively modified the road maintenance management system in recent years and cooperated with the industrial experts to carry out relevant studies on preventive maintenance. By applying "Technology of Hot-in – Place Recycling" (就地熱再生技術) and new materials, the Company enhances the conditions of the roads and reduces the energy consumption effectively.

V. Cooperation

The Company has been upholding the principle of "win-win cooperation" in operation and management and regards all value chain partners as partners. The Company neither is on its high horse nor gives up it stands and interests for being the weak side. When choosing business partners, the Company bases on integrity to seek partnership and aims to establish long term and in-depth cooperation with business partners sharing common values and with good reputation and strength, so as to achieve growth together.

The management set up fundamental direction of integrity and stable development, and regulated employees' behaviors, integrity and conduct by the "Employee Manual" and the "Anti-fraudulent Work Regulation". The Audit Committee of the Company, Audit Department and Discipline Supervision set up their own independent email box, hotline and mailbox for reporting fraud, and posted in the internal and external websites of the Company, as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues and cases of fraud in connection to the Company and its staff, so as to prevent and investigate cases such as bribery, fraud and corruption that may arise in the operation and management.

Corporate Social Responsibility

VI. The Community

In recruiting toll collectors, the Company has introduced a policy that gives priority to recruitment from underdeveloped regions. This helps the toll collectors to improve their domestic financial situation as they work and live in Shenzhen and provides a platform for transmitting new thoughts and new philosophy, which in turn, improves the employment of residents in the regions and supports regional development. During the Reporting Period, the Company donated an aggregate of RMB200,000 to the society as subsidies to the students who need it.

While supporting the public welfare activities, the Company also encourages its invested companies and its staff members to participate in various public welfare events. In 2012, advertising companies provided 25 advertising spaces for public welfare promotion purpose, involving a total area of over 3,000 M2. During the year, the staff carried out activities that offer one-on-one help for students from poor families and also donated money and goods for children in poor areas. Also, the volunteer teams of the Company supported the charity by organising caring visits to singleton elders, orphans and disabled children and volunteer services for environment protection activities.

VII. Conclusion

Harmonious internal and external environment is essential for sustainable and healthy development of a company; and noble company practice can also help improve its competitiveness. Therefore, while providing great rewards for shareholders, the Company is committed to be a responsible corporate citizen.

For the relationship and the practices between the Company and the stakeholders including the shareholders and the creditors, please refer to Chapters VII and IX in this annual report. The Company completes the preparation and publication of the Annual Social Responsibility Report of the previous year before April every year, to strengthen the understanding and relationship between the stakeholders and the Company, and accept supervision of society. The Annual Social Responsibility Report (Chinese version) was disclosed on the website of the exchanges in separate report and is available under the column of "Social Responsibility" of "Company Overview" on the website of the Company. Through the report, investors can obtain more comprehensive and detailed information and data in relation to the performance of social responsibility of the Company.

Chapter XI

Audits Report and 2012 Financial Statements

Auditor's Report

pwc

普华永道

To the Shareholders of Shenzhen Expressway Company Limited

We have audited the accompanying financial statements of Shenzhen Expressway Company Limited (hereinafter 'Shenzhen Expressway Company'), which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Shenzhen Expressway Company as at 31 December 2012, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian CPAs Limited Company	Certified Public Accountant	Yao Wen Ping
Shanghai, the People's Republic of China 22 March 2013	Certified Public Accountant	Hua Jun

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

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**

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

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**

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**

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**

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**

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**

Consolidated Statement of Changes in Owners' Equity

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

	Attributable to owners of the Company					
Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Minority interests	Total owners' equity
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** *Financial Controller:* **Gong Tao Tao** *Head of accounting department:* **Sun Bin**

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 December 2011					
Net profit	–	–	–	884,623,032.56	884,623,032.56
Profit distribution					
Appropriation to surplus reserves	–	–	88,462,303.26	(88,462,303.26)	–
Profit distribution to equity owners	–	–	–	(348,923,252.16)	(348,923,252.16)
Ending balance on 31 December 2011	2,180,770,326.00	2,315,587,934.74	1,534,894,948.48	2,051,397,387.15	8,082,650,596.37
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** *Financial Controller:* **Gong Tao Tao** *Head of accounting department:* **Sun Bin**

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.

Notes to Financial Statements

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

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

(8) Foreign currency translation

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

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

(9) Financial instruments

(a) Financial assets

(i) Classification of financial assets

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

Financial assets at fair value through profit or loss

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

Receivables

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

(ii) Recognition and measurement of financial assets

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

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

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

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

(9) Financial instruments (continued)

(a) Financial assets (continued)

(iii) Impairment of financial assets

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

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

(iv) Derecognition of financial assets

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

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

(b) Financial liabilities

(i) Classification of financial liabilities

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

(ii) Recognition and measurement

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

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

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

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

Notes to Financial Statements

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

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%

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.

Notes to Financial Statements

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

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

(10) Receivables (continued)

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

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

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

(11) Inventories

(a) Classification

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

(b) Costing of inventories

Cost is determined using the weighted average method.

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

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

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables

Low value consumables are expensed when issued.

(12) Long-term equity investments

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

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

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

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

(12) Long-term equity investments (continued)

(a) Determination of investment cost

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

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

(b) Subsequent measurement

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

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

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

(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.

Notes to Financial Statements

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

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

(12) Long-term equity investments (continued)

(d) Impairment of long-term equity investments

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

(13) Investment properties

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

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

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

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

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)).

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

(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.

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.

Notes to Financial Statements

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

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

(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.

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.

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

(17) Intangible assets (continued)

(a) Concession intangible assets (continued)

When toll roads are ready for their intended use, amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis ('unit 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.

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.

Notes to Financial Statements

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

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

(17) Intangible assets (continued)

(d) Impairment of intangible assets

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

(18) Long-term prepaid expenses

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

(19) Impairment of long-term assets

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

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

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

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

(20) Employee benefits

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

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

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

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

(21) Dividends distribution

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

(22) Provisions

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

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

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

(23) Convertible bonds

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

Notes to Financial Statements

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

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

(24) Revenue recognition

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

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

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

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

(c) For the service concessions contracts entered with the government departments, according to which the Group participates the developing, financing, operating and maintenance of toll road constructions, the Group recognised revenue and cost of services with the percentage of completion method during the construction period if the Group 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.

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

(26) Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax assets and liabilities are offset when:

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

(27) Segment information

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

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

(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.

Notes to Financial Statements

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

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%

Notes to Financial Statements

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

3 Taxation (continued)

(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

(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.

Notes to Financial Statements

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

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: (continued)

	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

(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

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 (continued)

	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
Total			**1,945,357,468.63**			2,171,732,973.89

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)).

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(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

(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%

5 Notes to the consolidated financial statements (continued)

(2) 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	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.

Notes to Financial Statements

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

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.

5 Notes to the consolidated financial statements (continued)

(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

(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%	–	–

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(3) 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	**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.

(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.

5 Notes to the consolidated financial statements (continued)

(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.

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

		31 December 2012			31 December 2011		
	Relationship with the Group	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.

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(4) Advances to suppliers (continued)

(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 Notes to the consolidated financial statements (continued)

(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).

(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).

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

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(a) Investment in joint ventures

	Accounting method	Ending balance of investment cost	31 December 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)).

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

5 Notes to the consolidated financial statements (continued)

(6) Long-term equity investments (continued)

(c) Other long-term equity investment

	Accounting method	Ending balance of investment cost	31 December 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	31 December 2012			2012	
			Total assets	Total liabilities	Net assets	Revenue	Net profit/(loss)
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

(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).

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(8) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
Cost					
31 December 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 (Note 5(9))	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).

(10) Intangible assets

	Cost	31 December 2011	Current year additions	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).

Notes to Financial Statements

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

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 assets.

(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.

Notes to Financial Statements

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

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.

Notes to Financial Statements

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

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

Notes to Financial Statements

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

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.

5 Notes to the consolidated financial statements (continued)

(19) Other payables (continued)

(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

(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.

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(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**

(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:

	31 December 2012				
	Interest rate	Currency	Amount in foreign currencies	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%).

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(22) Long-term borrowings (continued)

(c) The five largest long-term borrowings:

	Starting date	Ending date	Currency	Interest rate	31 December 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%).

(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%

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

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**

(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.

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(23) Bonds payable (continued)

(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 RMB1,497,352,621.18 which was calculated using discounted cash flow method and market interest rate of comparable corporate bond at 5.201% per annum.

(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.

5 Notes to the consolidated financial statements (continued)

(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

(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.

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(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

(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

5 Notes to the consolidated financial statements (continued)

(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).

Notes to Financial Statements

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

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

Notes to Financial Statements

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

5 Notes to the consolidated financial statements (continued)

(30) Revenue and cost of services (continued)

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

(i) Management services revenue

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.

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

Notes to Financial Statements

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

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

Notes to Financial Statements

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

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

5 Notes to the consolidated financial statements (continued)

(37) Earnings per share (continued)

(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.

(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

Notes to Financial Statements

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

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

Notes to Financial Statements

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

6 Segment information

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

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

Other businesses principally comprise provision of advertising services, construction management services and other services. The Group has no inter-segment 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)

6 Segment information (continued)

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

Segment	Toll road	Other	Unallocated	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.

Notes to Financial Statements

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

7 Related parties and related party transactions (continued)

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

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

	31 December 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).

(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, Guangdong Province	Wu Xian	(i)	324,000,000	40%	40%	19230570-5
Consulting Company	Limited liability company	Shenzhen City, Guangdong Province	Cai Cheng Guo	(ii)	18,750,000	24%	24%	74124302-6
Huayu Company	Limited liability company	Shenzhen City, Guangdong 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, Guangdong Province	Luo Ying Sheng	(i)	200,000,000	25%	25%	74170833-x
GZ W2 Company	Limited liability company	Guangzhou City, Guangdong Province	Xu Jie Hong	(i)	1,000,000,000	25%	25%	76400825-6
Guangyun Company	Limited liability company	Yunfu City, Guangdong 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.

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.

Notes to Financial Statements

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

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)

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

Notes to Financial Statements

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

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).

(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, Clifton	**350,000.00**	**–**	**350,000.00**
Au Sing Kun	**180,000.00**	**–**	**180,000.00**
Lin Chu Chang	**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**

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

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

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, Clifton	350,000.00	–	350,000.00
Lam Wai Hon, Ambrose	150,000.00	–	150,000.00
Ting Fook Cheung, Fred	150,000.00	–	150,000.00
Wang Hai Tao	150,000.00	–	150,000.00
Zhang Li Min	150,000.00	–	150,000.00
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).

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, Clifton, 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, Wu Ya De, the directors, 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.

Notes to Financial Statements

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

7 Related parties and related party transactions (continued)

(5) Related party transactions (continued)

(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	**–**	–

(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 Related parties and related party transactions (continued)

(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) *Arbitration in progress*

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.

(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.

Notes to Financial Statements

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

9 Commitments (continued)

(2) Investment commitments

(a) In accordance with the resolution passed in Board of Directors' meeting on 18 September 2009, the Company committed to inject capital of RMB132 million in 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 –			
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

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.

Notes to Financial Statements

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

11 Financial instruments and risk (continued)

(1) Market risk (continued)

(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.

Notes to Financial Statements

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

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)

(b) Financial instruments measured at 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**

Notes to Financial Statements

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

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%	–	–

(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%	–	–

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

(1) Accounts receivable (continued)

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

	Relationship with the Group	31 December 2012 Amount	31 December 2012 % of total balance	31 December 2012 Provision for bad debts	31 December 2011 Amount	31 December 2011 % of total balance	31 December 2011 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%

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

Notes to Financial Statements

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

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

(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 Group	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.

Notes to Financial Statements

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

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).

(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 equipment	Motor vehicles	Office and other equipment	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 progress (Note 13(6))	–	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 settlement in current year	–	(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).

Notes to Financial Statements

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

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

(7) Intangible assets

	Cost	31 December 2011	Current year additions	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).

(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**

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

(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

(a) *Revenue and cost of services from main operation*

	31 December 2012		31 December 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*

	31 December 2012		31 December 2011	
	Revenue from main business	Cost of main business	Revenue from main business	Cost of main business
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%

Notes to Financial Statements

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

13 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:

	31 December 2012		31 December 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

Notes to Financial Statements

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

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

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**	2012	**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

Supplementary Information

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

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

1. In current year, 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.

Company Profile and Project Information

I. Company Profile

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

Company Profile and Project Information

Independent Auditor	PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd. 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
Signing auditor	Yao Wen Ping, Hua Jun
PRC Legal Adviser	Guangdong Junyan Law Firm 13/F, Dutyfree Business Building, First Fuhua Road, Shenzhen
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lu Jia Zui Road East, Pudong New District, Shanghai
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor Relations Consultant of A Shares	Everbloom Investment Consultant Company Limited Room 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor Relations Consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexxus Building, No. 41 Connaught Road Central, Hong Kong
Place of Business in Hong Kong	Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996
Date and Place of First Registration	30 December 1996 / Shenzhen
Date of Latest Change of Registration	29 September 2012
Registration Number of Business License	440301104056451
Tax Registration Number	440304279302515
Organisation Code	27930251-5
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank

II. Project Information (as at March 2013)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status	Operation period
Meiguan Expressway	100%	Shenzhen	19.2	6/8	Under operation/ expansion	1995.05-2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	1997.10-2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	1999.05-2027.03
Yanba Expressway	100%	Shenzhen	29.1	6	Under operation	Applying for approval
Shuiguan Expressway	40%	Shenzhen	20.0	10	Under operation	2002.02-2025.12
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2005.10-2025.12
Yanpai Expressway	100%	Shenzhen	15.6	6	Under operation	2006.05-2027.03
Nanguang Expressway	100%	Shenzhen	31.0	6	Under operation	2008.01-2033.01
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2004.11-2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2004.12-2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2005.11-2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2006.12-2030.12
Qinglian Project:						
– Qinglian Expressway	76.37%	Guangdong	– 216	– 4	– Under operation	2009.07-2034.07
– Qinglian Class 2 Road			– 253	– 2	– Under maintenance	toll collection suspended
Wuhuang Expressway	55%	Hubei	70.3	4	Under operation	1997.09-2022.09
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	1999.11-2029.10
Changsha Ring Road	25%	Jiangsu	15.6	6	Under operation	2005.10-2030.10

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

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

Entrusted construction project	Entrusting party	Location	Length (km)	Estimated investment	Status	Completion schedule for main works
Nanping (Phase II)	Shenzhen Communications Bureau	Shenzhen	15	Section A: Approximately RMB2.1 billion	Under construction	Section A: most of the road has been opened to traffic in 2012 August.
				Section B: Approximately RMB1.6 billion		Section B: in adjustment
Longda Municipal Section	Shenzhen Public Transportation Facilities Construction Center	Shenzhen	2	Approximately RMB160 million	Under construction	In adjustment
Coastal Project	SIHCL	Shenzhen	30	Approximately RMB10.4 billion	Under construction	Second half of 2013

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

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

Company Profile and Project Information

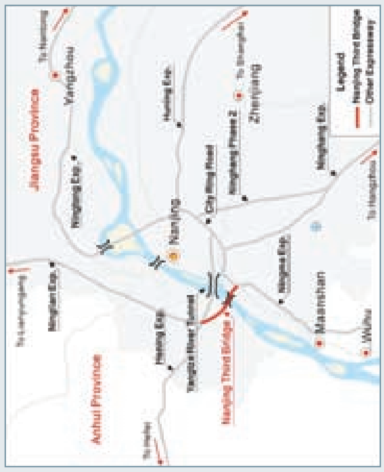
Road Network of Shenzhen

Road Network of Pearl River Delta

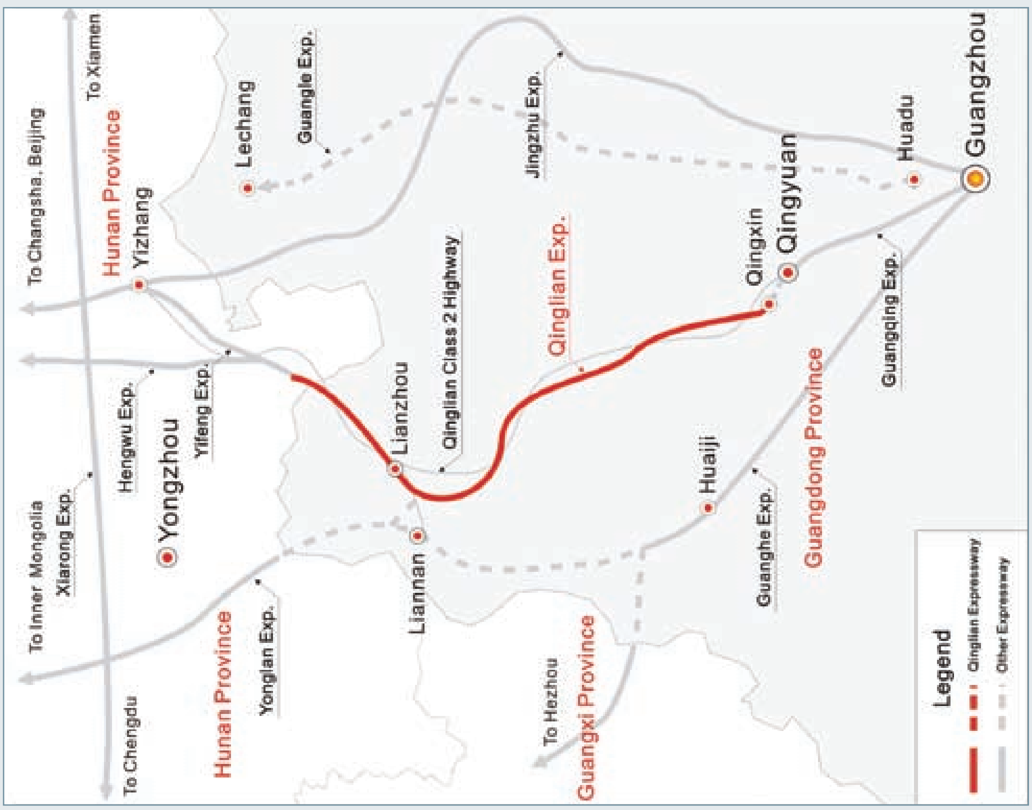
Company Profile and Project Information

Road Network of Wuhuang Expressway

Road Network of Changsha Ring Road



Road Network of Nanjing Third Bridge



Road Network of Qinglian Expressway

Information for Reference

Abbreviation for Highway and Project Operated, Invested and Managed by the Company

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

Information for Reference

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

Abbreviation for Others

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	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
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
CAS	The Accounting Standards for Business Enterprises (2006) of the PRC
Bonds with Warrants	Convertible corporate bonds, in which bonds and subscription warrants are tradable separately

XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited)
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company)
CM Huajian	招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.), formerly known as 華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre)
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited)
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government)
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited)
Shenzhen International	Shenzhen International Holdings Limited
SGJ Shenzhen	深國際控股(深圳)有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited)
Baotong Company	深圳市寶通公路建設開發有限公司 (Shenzhen Baotong Highway Construction and Development Company Limited)
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited)
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited)
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

Note: For principal business and abbreviation of the investee companies of the Company, please refer to the Group Structure in Chapter I of this report.

Confirmation to the Annual Report 2012

As the Directors and senior management of Shenzhen Expressway Company Limited ("Company"), we confirm the truthfulness, accuracy and completeness of the content of this annual report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility

22 March 2013

Directors who signed this Confirmation:

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

Senior Management who signed this Confirmation:

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

Designed & Produced by **HeterMedia Services Limited**