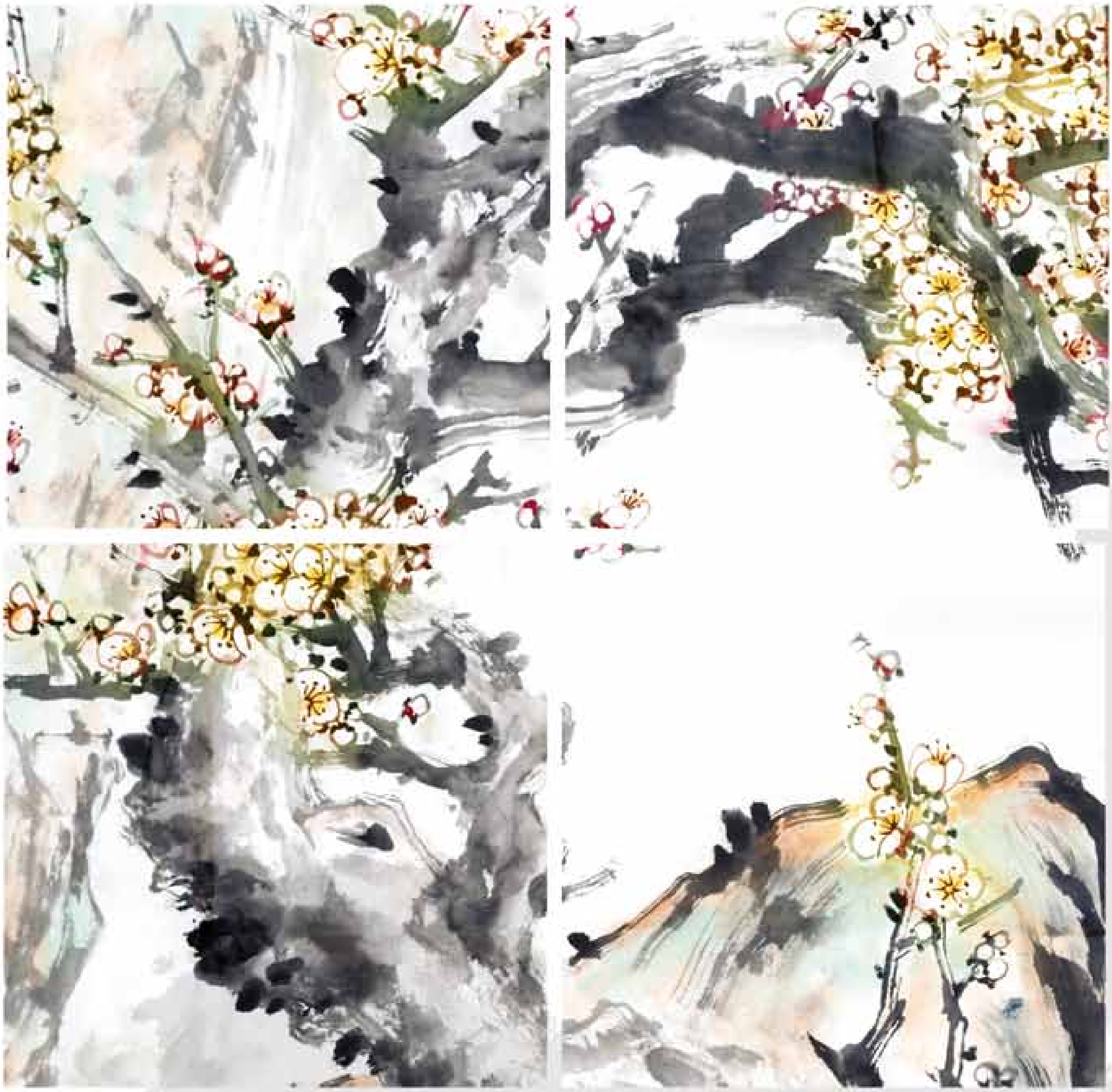
Sichuan Expressway Company Limited

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



【2011 ANNUAL REPORT】

(Stock Code : 00107)

CONTENTS

In this section, the definitions are presented in alphabetic order (A-Z).

I. Name of Expressway Projects

Airport Expressway	Chengdu Airport Expressway
Chengbei Exit Expressway	Chengdu Chengbei Exit Expressway
Chengle Expressway	Sichuan Chengle (Chengdu-Leshan) Expressway
Chengnan Expressway	Sichuan Chengnan (Chengdu-Nanchong) Expressway
Chengren Expressway	Chengdu-Meishan (Renshou) Section of Sichuan ChengZiLuChi (Chengdu-Zigong-Luzhou-Chishui) Expressway
Chengya Expressway	Sichuan Chengya (Chengdu-Ya'an) Expressway
Chengyu Expressway	Chengyu (Chengdu-Chongqing) Expressway (Sichuan Section)
Suiguang Expressway	Sichuan Suiguang (Suining-Guang'an) Expressway
Suixi Expressway	Sichuan Suixi (Suining-Xichong) Expressway
Suiyu Expressway	Suiyu (Suining-Chongqing) Expressway

II. Branches, Subsidiaries and Principal Invested Companies

Airport Expressway Company	Chengdu Airport Expressway Company Limited
Chengbei Company	Chengdu Chengbei Exit Expressway Company Limited
Chengle Company	Sichuan Chengle Expressway Company Limited
Chengren Branch	Sichuan Expressway Company Limited Chengren Branch
Chengya Branch	Sichuan Expressway Company Limited Chengya Branch
Chengya Oil Company	Sichuan Chengya Expressway Oil Supply Company Limited
Chengyu Advertising Company	Sichuan Chengyu Expressway Advertising Company Limited
Shugong Company	Sichuan Shugong Expressway Engineering Company Limited
Shugong Testing Company	Sichuan Shugong Road Construction Engineering Testing Company Limited
Shuhai Company	Chengdu Shuhai Investment Management Company Limited
Shuhong Company	Chengdu Shuhong Property Company Limited
Shunan Company	Sichuan Shunan Investment Management Company Limited
Shusha Company	Sichuan Shusha Industrial Company Limited
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited

In this annual report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purposes only. In the event of any inconsistency between the Chinese and English names, the Chinese names shall prevail.

III. Others

2011 AGM	the 2011 annual general meeting of the Company to be held on 29 May 2012 (Tuesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 13 April 2012 (Friday)
A Share(s)	ordinary shares of the Company with a nominal value of RMB1.00 each, which are issued in the PRC, subscribed for in RMB and listed on the SSE
Board	the Board of Directors of the Company
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company
Dividend Entitlement Date	7 June 2012 (Thursday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2011 final dividend of the Company (if approved by the Shareholders at the 2011 AGM)
Group	the Company and its subsidiaries
H Share(s)	overseas listed shares of the Company with a nominal value of RMB1.00 each, which are issued in Hong Kong, subscribed for in Hong Kong dollars and listed on the main board of Stock Exchange
Huajian Company	China Merchants Huajian Highway Investment Co., Ltd. (formally known as Huajian Transportation Economic Development Centre. In June 2011, its name was changed to China Merchants Huajian Highway Investment Co., Ltd., as approved by the State Administration for Industry and Commerce of the People's Republic of China), a substantial shareholder of the Company
Listing Rules	the Rules Governing the Listing of Securities on the Stock Exchange and/or the Rules Governing the Listing of Securities on the SSE (as the case may be)
PRC or China	The People's Republic of China, for the purpose of this annual report, excluding Hong Kong, the Macao Special Adminstrative Region of the PRC and Taiwan
Renshou Avenue Connection Line Project	the Renshou Avenue Connection Line project in Renshou County, Meishan City in the form of BT (build-transfer)
Renshou BT Projects	the Renshou Avenue Connection Line Project and the Renshou Land-linked Pilot Project

Renshou Land-linked Pilot Project	the land-linked pilot project in Renshou County, Meishan City in the form of BT (build-transfer)
SASAC of Sichuan	State-owned Assets Supervision and Administration Commission of Sichuan Provincial Government of the PRC
Shareholders	holders of Shares
Shares	A Shares and/or H Shares (as the case may be)
Shuangliu Renbao BT Project	the road project within Renbao Industry Park, Tianfu New District, Shuangliu County, Chengdu City in the form of BT (build-transfer)
Shuangliu West Airport Phase VI BT Project	the road project within the Airport High-tech Industrial Functional Zone, Shuangliu County, Chengdu City, in the form of BT (build-transfer), which is referred to as the "West Airport Development Zone Phase VI Road Engineering BT Project" by the Transportation Bureau of Shuangliu County, Chengdu City, the tenderee of this project
Sichuan Highway Development	Sichuan Highway Development Holding Company, a subsidiary of STI Group
SSE	Shanghai Stock Exchange
SSF	The National Council for Social Security Fund of the PRC (全國社會保障基金理事會轉持三戶), the Shareholder of the Company (On 27 July 2009, the A Shares of the Company were listed on the SSE. According to the Measures of Transfer of Certain State-owned Shares to National Social Security Fund through Domestic Stock Exchange Market) (Cai Qi [2009] No. 94) and the Reply of the State-owned Assets Supervision and Administration Commission of Sichuan Provincial Government on Transfer of State-Owned Shares of Sichuan Expressway Company Limited During Its IPO of A Shares (Chuan Guo Zi Chan Quan [2009] No. 39), Sichuan Highway Development and Huajian Company transferred 30,229,922 Shares and 19,770,078 Shares respectively to the National Council for Social Security Fund of the PRC)
STI Group	Sichuan Transportation Investment Group Corporation, the controlling shareholder of the Company
Stock Exchange	The Stock Exchange of Hong Kong Limited
Suiguang Suixi Expressways BOT Project	the project on Suiguang Expressway and Suixi Expressway in the form of BOT (build-operate-transfer)
Suppervisor(s)	supervisor(s) of the Company
Suppervisory Committee	Supervisory Committee of the Company
Year or Reporting Period	the 12 months ended 31 December 2011

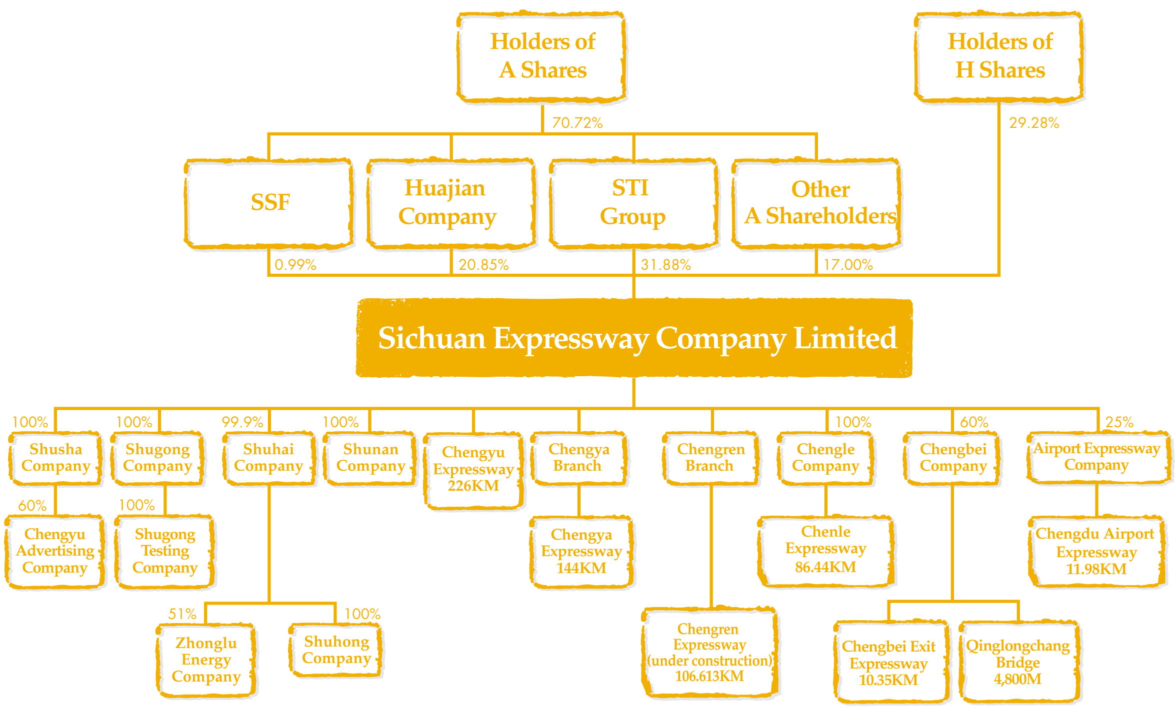
Statutory Chinese and English Names of the Company	四川成渝高速公路股份有限公司 Sichuan Expressway Company Limited
Legal Representative	Tang Yong
Company Website	http://www.cygs.com
Company's Registered Address & Office Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Postal Code	610041
Secretary to the Board	Zhang Yongnian
Tel	(86)28-8552-7510
Representative of Securities Affairs	Zhang Hua
Tel	(86)28-8552-7510
Fax	(86)28-8553-0753
Investors' Hotline	(86)28-8552-7510/(86)28-8552-7526
E-mail	cygszh@163.com
Contact Address	252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
Stock Exchanges of the Listing Shares	A Shares: Shanghai Stock Exchange Stock Code: 601107 Stock Name: Sichuan Express H Shares: The Stock Exchange of Hong Kong Limited Stock Code: 00107 Stock Name: Sichuan Express
Newspapers Selected by the Company for Information Disclosure	China Securities Journal, Shanghai Securities News
Websites Designated for Publication of the Annual Report of the Company	http://www.sse.com.cn http://www.hkex.com.hk http://www.cygs.com

Place for Inspection of the Annual Report of the Company	PRC : 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC Hong Kong: Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
International Auditor	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
PRC Auditor	Shinewing Certified Public Accountants 9th Floor, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng District, Beijing City, the PRC
Hong Kong Legal Adviser	Messrs. Li & Partners 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
PRC Legal Adviser	Zhong Yin Law Firm 31F, Office Tower A, Jianwai SOHO, 39 Dongsanhuan Zhonglu, Chaoyang District, Beijing, China
Domestic Shares Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited Shanghai Branch 36/F China Insurance Building, No.166 Lujiazui East Road, Pudong, Shanghai
Hong Kong Shares Registrar and Transfer Office	Hong Kong Registrars Limited 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong
Principal Place of Business in Hong Kong	Rooms 2201-2203, 22/F, World-Wide House, 19 Des Voeux Road Central, Central, Hong Kong
Initial Registration Date and Place	19 August 1997 Chengdu, Sichuan Province, the PRC
Latest Date of Registration Update	7 November 2011
Registration Number of Business Licence	510000400003856
Tax Registration Number	Chuan Guo Shui Zhi Zi No. 51010720189926X Chuan Shui Zi No. 51900020189926X
Organization Code	20189926-X
Principal Banker	China Construction Bank

The Company was registered with the Industry and Commerce Bureau of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009, respectively.

The Group is principally engaged in the investment, construction, operation and management of road infrastructure projects in Sichuan Province, the PRC as well as the operation of other businesses related to toll roads. Currently, the Group mainly owns all or substantially all interests in a number of toll roads in Sichuan Province such as Chengyu Expressway, Chengya Expressway, Chengle Expressway, Chengbei Exit Expressway as well as Chengren Expressway, Suiguang Expressway and Suixi Expressway which are under construction. As at 31 December 2011, the length of completed expressways of the Group has reached approximately 467km in total and the length of the expressways under construction amounted to approximately 269km, representing a total asset of approximately RMB16,754,726,000 and a net asset of approximately RMB9,507,276,000.

As at 31 December 2011, the total number of Shares of the Company was 3,058,060,000 Shares (comprising 895,320,000 H Shares and 2,162,740,000 A Shares). The shareholdings and asset structure of the Company were as follows:



Road Network of the Group's Expressways

On behalf of the Board, I would like to report our results for the Year to Shareholders as follows: In 2011, the Group made great progress in terms of operation and investment, with sustained increase in toll income of the Group's major expressways, steady growth of relevant industries, and good operational performance on the whole. Meanwhile, in accordance with its preset development strategy of "one main body and two wings", the Group, while maintaining and consolidating its principal businesses as well as ensuring results growth and controllable debts, integrated internal and external resources, stepped up investment and financing efforts, and accelerated development of the two-wing industries, striving to open up a new chapter in the development of the Group.

Results and Dividends

In 2011, the revenue of the Group amounted to approximately RMB6,236,966,000, representing an increase of 44.86% as compared with last year, among which the net toll income amounted to approximately RMB2,346,071,000, up 5.47% over last year, and the net revenue from construction contracts amounted to RMB3,776,611,000, up 83.19% over last year (including the construction contracts revenue of approximately RMB2,604,891,000 from Chengren Expressway BOT (build-operate-transfer) Project, which was recognized according to the Hong Kong Financial Reporting Standards, up 60.78% over last year). The profit attributable to the owners of the Company was approximately RMB1,304,163,000, representing an increase of 13.87% as compared with last year. Basic earnings per share was approximately RMB0.426 (2010: approximately RMB0.375).

Pursuant to the resolution passed by the Board on 23 January 2009, within three years after the listing of the Company's A shares, no less than 40% of the profit distributable to Shareholders for the underlying year realized by the parent company would be paid to the Shareholders of the Company as cash dividend (such resolution was approved by the Shareholders at the 2008 annual general meeting of the Company on 15 April 2009). The Board has recommended a final cash dividend for 2011 of RMB0.09 per share (tax inclusive), aggregating to approximately RMB275,225,000 (tax inclusive) and representing 43% of the distributable profit for Shareholders for the year which was approximately RMB642,202,000. Such proposed dividend is subject to approval by Shareholders at the forthcoming 2011 AGM of the Company.

Review

2011 was not only the opening year of the 12th Five-Year Plan period, but also marked the beginning of a new round of the Western China Development Strategy. During the year, in face of the complex and fickle international conditions, and the new issues and problems accompanying the operation of domestic economy, the PRC Government, by continuously enhancing and improving macro adjustment and control, successfully tackled various risks such as slowing economic growth and acute turmoil in financial markets, and managed to keep the PRC economy on an overall healthy track. According to preliminary estimates of the National Bureau of Statistics, China's gross domestic product ("**GDP**") amounted to RMB47,156.4 billion in 2011, up 9.2% from last year based on comparable prices. The economy of Sichuan Province also saw steady and relatively rapid growth, with GDP of the whole province breaking the RMB2,000 billion mark and amounting to RMB2,102.67 billion, up 15% from 2010, achieving a good opening of the 12th Five-Year Plan.

In 2011, despite the dual pressures from the tightening bank credit and the increased transportation construction scale, great breakthroughs were achieved in the development of transportation sector in Sichuan. Investment in transportation construction in Sichuan Province amounted to RMB100.2 billion during the Year, up 29.2% year-on-year and 22 percentage points higher than the national investment growth rate, making Sichuan the first province with annual investment in transportation construction of more than RMB100 billion nationwide. In particular, the amount invested in expressways reached RMB68.05 billion in total, up 63.3% from last year. As at the end of 2011, the total length of expressways opened to traffic in the province exceeded 3,000km; expressways under construction and opened to traffic in the province reached 6,537km in length, ranking the second in China; whilst the total length and scale of investment attraction of expressway BOT projects in the province ranked the first in China.

2011 was a critical year to follow the spirit of "Aspiring Further Progress and Accelerating Development" advocated by the Provincial Party Committee of Sichuan, and implement the "Three-Year Concentrated Breakthrough Initiative" of the Department of Transportation of Sichuan Province (四川交通運輸廳). It was also an important year for the proactive implementation of the "one main body and two wings" development strategy of the Group. As one of the key enterprises in the transportation industry in Sichuan, the Group plays a major role in the province's transportation construction. In turn, the historical opportunity arising from the leapfrog development of the transportation industry in Sichuan Province also further facilitated expansion of the Group's business scale and enhancement of its sustained profitability. During the Year, while enhancing and improving operation and management of its existing assets, the Group actively pushed ahead with development and construction of new projects, stepped up efforts in developing "two-wing" industries, and laid a solid foundation for increasing the Group's assets size, optimizing financial structure and promoting sustained, healthy and rapid development of the Group.

— During the Year, the Group strengthened and improved the operation and management of its existing assets to ensure and enhance its operating performance, thus successfully achieved a continued growth in operating results. The Group's total revenue amounted to RMB6,237 million for the Year, among which the net toll income from expressways was RMB2,346 million and profit attributable to the owners of the Company reached RMB1,304 million, representing an increase of 5.47% and 13.87% over last year, respectively.

— During the Year, the construction of the Chengren Expressway BOT Project of the Group had been progressing smoothly. As at the end of 2011, a total of approximately RMB2,606 million was invested in the project. A total of approximately RMB4,586 million had been invested since commencement of construction, representing 62.72% of the total investment budget for the project which was approximately RMB7,311 million, including a total of approximately RMB2,954 million investment in respect of road construction and installation of relevant facilities. The overall quality and safety of this project are under control, with various works in steady progress. This project is expected to commence operation in 2012.

— During the Year, construction of phase I and phase II of the Shuangliu Renbao BT Project invested by Group was basically completed at the end of 2011, with a total investment of approximately RMB1,391 million. In addition, the Group's Renshou BT Project under construction was progressing smoothly, with an estimated total investment of approximately RMB712 million. As at the end of 2011, a total of approximately RMB183 million was invested in the Renshou Avenue Connection Line Project which is expected to be completed in 2012, and approximately RMB72 million was paid for land appropriation and relocation in connection with the Renshou Land-linked Pilot Project which is expected to be completed in 2013.

— In October 2011, the Company won the bids through open tender for the Suiguang Suixi Expressways BOT Project. The total length of this project is about 162.671km, with total investment of approximately RMB12,284 million. Construction of the project is to fully commence in 2012.

— In January 2012, the Company won the bid for the Shuangliu West Airport Phase VI BT Project, with a total investment of approximately RMB616 million.

— In November 2011, Shugong Company, a wholly-owned subsidiary of the Company, obtained the grade-1 qualification certificate for construction enterprises (with qualification for Grade-1 Engineering, Procurement and Construction (EPC) for road projects, and Grade-1 professional contracting services for road surface projects) issued by the Ministry of Housing and Urban-Rural Development of the PRC. The obtaining of such qualification is conductive to the Group's further expansion in businesses in respect of EPC for road projects and professional contracting services for road surface projects, and has a positive effect on the fulfilment of the Group's operational strategy and sustained development, etc.

— During the Reporting Period, in accordance with the deployments and requirements of the five ministries and commissions including CSRC, and based on the Company's actual operation and management characteristics, the Company fully implemented the basic standards for enterprise internal control to optimize and improve its internal control system, which further enhanced the systemicness, execution process and efficiency of its internal control mechanism.

Prospects and Strategy

In general, the fundamental driving forces behind China's economic growth remain unchanged, with the industrialization process yet to be completed, urbanization speeding up, and marketisation level gradually deepening. On the overall trend of transformation in economic growth modes and economic restructuring, the inherent momentum of China's economy will keep running in the coming future. As the main artery of the national economy, the transportation industry is bound to benefit from the favourable fundamentals of China's economic growth and maintain a robust and rapid development momentum.

2012 will be a year for the economy of Sichuan to "maintain growth momentum, achieve further progress and accelerate development", and it is also a critical year for the "three-year concentrated breakthrough initiative" for Transportation Construction in the province. Against the background of the implementation of the new round of the Western China Development Strategy initiated by the Central Government, the Chengyu Economic Zone Development Plan as approved by the State and the 12th Five-Year Plan for Comprehensive Transportation Construction of Sichuan Province (《四川省「十二五」綜合交通建設規劃》) as formulated by the Provincial Party Committee, as well as the advancement of construction of Tianfu New District, the Group will, in line with the growth trend of macro economy in 2012 and its "one main body and two wings" strategy of strengthening its principal businesses and expanding its two-wing industries, on one hand enhance operation and management of the existing expressway assets, and vigorously push ahead with construction of the Chengren Expressway project (a project under construction) and the Suiguang and Suixi Expressways project (a project which newly commenced construction), and on the other hand, continue to step up the Group's efforts in transportation infrastructure investment, building and construction, and development of expressway-related business, so as to boost and expand business development potential and asset scale of the Group. In addition, with the successive opening to traffic of Yaxi (Ya'an-Xichang) Expressway, Leya (Leshan-Ya'an) Expressway and YiLuYu (Yibin-Luzhou-Chongqing) Expressway in 2012, Chengya Experssway and Chengle Expressway of the Group are expected to see an increase in their traffic flow, which will benefit the Group by bringing it with income growth as a result of enhanced road network effects. Therefore, we are full of confidence and aspiration in our development in the year of 2012.

Challenges usually come along with opportunities. Despite the fact that China currently maintains a steady economic growth on the whole, the international and domestic economies constantly see new issues and problems emerging, such as the prolonged aftermath of the global financial crisis, uncertainties in the prospect of the European debt crisis, slowdown in the domestic economic growth and rising commodity prices, etc, which will pose potential threats and challenges to the PRC economy in 2012. Economic vibrancy is a key factor affecting transportation demands. Therefore, in face of possible complicated and volatile economic conditions in 2012, the Group will raise its awareness of adversities, adopt more active and positive strategy and take more prudent and sound countermeasures to ensure sustained, healthy and rapid development of the Group.

As such, the Group will, in 2012, follow the development approach of "seeking growth and benefit in a stable and progressive manner" and continue to deepen the operation of the existing expressway assets, so as to enhance profitability of its principal businesses through tapping potential and controlling costs. Meanwhile, the Group will vigorously implement the "two wing" strategy to control corporate risk, and strive to gradually increase the proportion of operating revenue from relevant "two-wing" industries to the Company's operating revenue. We will extend relevant service businesses in reliance on our operation of transportation infrastructure, so as to cultivate and create the Group's new profit drivers by such operating models as establishing expressway service zones and joint-operated gas stations; actively seek and examine new infrastructure construction projects to store up quality pipeline projects with good economic benefit and great growth potential on the principle of "focusing on both scale and profit, but with first priority on profit", so as to lay a solid foundation for business expansion during the "12th Five-Year Plan" period; and under the premises of financial security, step up research on the variety of financial tools, actively explore various financing channels, with an aim to ensure sufficient cash flow and financial resources to support the Group's liability level and business expansion.

Before us is a brand-new journey in a new year. We will continue to uphold the work attitude of diligence and enterprise, stay faithful to our duties and responsibilities, blaze new trails, overcome difficulties, and strive to create value for our Shareholders and the society, under the guidance of the Group's "one main body and two wings" development strategy.

Acknowledgements

On behalf of the Board, I would like to take this opportunity to express our heartfelt gratitude to all our investors, clients, business partners and the public for the support and faith you have shown us. I would also like to express my sincere thanks to our Directors, Supervisors, management and the staff for their wisdom and hard work during the past year.

Tang Yong
Chairman

Chengdu, Sichuan, the PRC
28 March 2012

I. Business Environment

Economic development is a key factor to the growth of traffic demand. In 2011, against the international backdrop where the world economy experienced prolonged turbulence and lower-than-expected growth, China, through continuously enhancing and improving macro adjustment and control, managed to keep its domestic economy on a steady and relatively rapid development track. Meanwhile, Sichuan's economy also achieved the preset target to "double the GDP with relatively rapid growth and improve quality through structural adjustment", marking a good opening of the "12th Five-Year Plan". According to preliminary calculations, China's GDP for the Year amounted to RMB47,156.4 billion, representing an increase of 9.2% year-on-year in terms of comparable prices. According to preliminary statistics, the GDP of Sichuan Province exceeded RMB2,000 billion to RMB2,102.67 billion, representing a year-on-year increase of 15%. Total retail sales of social consumer products of the whole province for the whole year amounted to RMB783.74 billion, representing a year-on-year increase of 18.1%, of which car consumption increased by 18.9%.

In addition, with the State fully proceeding with western China development scheme, the accelerated construction of western comprehensive traffic pivot in Sichuan Province, and the promulgation and step-by-step implementation of the Chengyu Economic Zone Development Plan, the Group is expected to receive more driving forces for its business performance.

II. Business Review and Analysis

(I) Results overview

The earnings of the Group were mainly derived from the operation of and investment in toll roads. As at the end of the Reporting Period, the Group mainly operated 4 toll expressways in Sichuan Province, namely, Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway, with a total length of approximately 467km.

During the Year, the revenue of the Group amounted to approximately RMB6,236,966,000, representing an increase of 44.86% as compared with last year, among which the net toll income amounted to approximately RMB2,346,071,000, up 5.47% over last year, and the revenue from construction contracts amounted to approximately RMB3,776,611,000, up 83.19% over last year (including the construction contracts revenue of approximately RMB2,604,891,000 from Chengren Expressway BOT Project, which was recognized according to the Hong Kong Financial Reporting Standards, up 60.78% over last year). The profit attributable to the owners of the Company was approximately RMB1,304,163,000, representing an increase of 13.87% as compared with last year. Basic earnings per share was approximately RMB0.426 (2010: approximately RMB0.375).

As at 31 December 2011, the Group's total assets and net assets were approximately RMB16,754,726,000 and RMB9,507,276,000 respectively.

(II) Operating conditions of the Group's principal operations

Operating results of the Company and its major branches and subsidiaries

Item	Toll Income for 2011 *(RMB'000)*	Percentage in the total toll income *(%)*	Toll Income for 2010 *(RMB'000)*	Percentage in the total toll income *(%)*	Profit for 2011 *(RMB'000)*	Year-on-year increase/(decrease) in profit for 2011 *(%)*
The Company *(Note 1)*	**1,176,077**	**48.44**	1,139,230	49.62	**602,507**	(1.29)
Chengya Branch *(Note 2)*	**672,498**	**27.70**	645,119	28.10	**269,274**	(6.68)
Chengle Company *(Note 3)*	**485,734**	**20.00**	419,133	18.25	**281,409**	54.66
Chengbei Company *(Note 4)*	**93,835**	**3.86**	92,449	4.03	**35,784**	31.17
Total	**2,428,144**	**100.00**	2,295,931	100.00	**1,188,974**	7.29

Notes:

1. For the purpose of this table only, the Company does not include Chengya Branch. The Company is responsible for the operation and management of Chengyu Expressway. Profit for the Year does not include any dividend income from associated companies, subsidiaries and available-for-sale investments.

2. Chengya Branch, a branch company of the Company, is responsible for the operation and management of Chengya Expressway.

3. Chengle Company, a wholly-owned subsidiary of the Company, is responsible for the operation and management of Chengle Expressway.

4. Chengbei Company, a subsidiary of the Company, is responsible for the operation and management of Chengbei Exit Expressway and Qinglongchang Bridge. The toll income of Chengbei Company was the aggregate amount of the toll incomes of Qinglongchang Bridge and Chengbei Exit Expressway. Profit for the Year does not include any dividend income from available-for-sale investments.

Operation of major expressways of the Group

Item	Shareholding percentage	Converted average daily traffic flow *(vehicles/times)* 2011	2010	Increase (%)	Toll income *(RMB'000)* 2011	2010	Increase (%)
Chengyu Expressway	100%	**22,601**	20,972	7.77	**1,176,077**	1,139,230	3.23
Chengya Expressway	100%	**17,109**	16,079	6.41	**672,498**	645,119	4.24
Chengle Expressway *(Note)*	100%	**21,848**	25,095	N/A	**485,734**	419,133	15.89
Chengbei Exit Expressway (including Qinglongchang Bridge)	60%	**34,346**	33,493	2.55	**93,835**	92,449	1.50

Note: During the Year, the traffic flow data of Chengle Expressway did not fully reflect the actual situation, thus it is not comparable to last year. Reasons are as follows: the completion and opening to traffic of Leyi (Leshan-Yibin) Expressway ("**Leyi Expressway**") on 26 December 2010, as an extended line of Chengle Expressway, increased the traffic volume of Chengle Expressway. However, as Leyi Expressway commenced operation, Leshan Station, as the main station of Chengle Expressway, was closed; meanwhile, ring-road station, Leshan Station was set up with four ring roads. Chengle Expressway only ran two of them (at one entrance and one exit). The other two ring roads were managed by Leyi Expressway. As the traffic flow at the opening of the toll stations was adopted in calculating the actual traffic flow of Chengle Expressway, part of the traffic volume was not included in that of Chengle Expressway during the Year.

During the Reporting Period, the Group's expressways recorded a continued increase in toll income, though at a slightly slower pace as compared with last year.

The major factors affecting the operating performance of the Group's toll roads during the Year are as follows:

(1) Amid the slow recovery of the global economy, rising domestic inflationary pressure and tightening monetary policies in 2011, the PRC government's more focus on structural adjustment and inflation control as its macro economic policy through strengthening and improving macro adjustment and control guaranteed the overall well performance trend in China's economy. The economic growth, though at a slower pace, remained a fundamental force driving the traffic demand.

(2) Both the State's "12th Five-Year Plan" and the deepening Western China Development Strategy gave priority to traffic infrastructure. By leveraging this opportunity, Sichuan Province pushed ahead the construction of an integrated transportation hub in western China at a faster speed, and continuously stepped up efforts in construction on traffic road network projects. The people's government of Sichuan Province examined and approved the Sichuan Expressway Network Plan (2011 adjusted proposal) in January 2011 to increase the total planned length of expressways in the province from 8,600km to approximately 12,000km, providing good opportunities and potential for the Group's development.

(3) The "Chengyu Economic Zone Development Plan" was officially approved by the State Council of the PRC in April 2011. In order to implement the "Chengyu Economic Zone Development Plan", Chengdu City of Sichuan Province launched the "Master Plan for Tianfu New District, Chengdu, Sichuan Province (2010—2030)", and obtained the formal approval from the people's government of Sichuan Province in November 2011. Various types of major projects commenced construction successively, which produced positive and far-reaching impact on business expansion of the Group.

(4) In recent years, as Sichuan Province put more efforts in attracting investments, a total of 207 out of 500 world-top enterprises had established offices in Chengdu as at the end of 2011, ranking the first among cities in Mid-western China, indirectly resulting in an increased traffic demand within Sichuan Province, thereby bringing positive influence on the operation of the Group.

(5) The more rapid urbanization process in China and the increase in registered car ownership kept spurring market demand for expressways. As at the end of 2011, there were 225 million motor vehicles nationwide, among which, 7 cities, including Chengdu, posted motor-vehicle ownership of over 2 million.

(6) In 2011, the inbound tourist market of Sichuan Province underwent favourable recovery, contributing a total of over RMB244 billion revenue, breaking the RMB200 billion mark, effectively driving the growth of traffic volume within the province.

(7) Sichuan Province implemented a toll-by-weight policy for trucks travelling on expressways since 1 June 2007. During the trial period for such policy (ended on 30 September 2010), normally loaded vehicles were given a 20% toll discount. Currently, the trial period has expired, but the toll discount preferential policy is still being implemented in the province because no official approval regarding such issue has been received from relevant governmental authorities.

(8) Meanwhile, the Group put more efforts in operation and management of its expressways. Through strategies such as enhancing toll collection inspection and controlling operating costs, etc, the Group effectively improved the overall profitability of its expressways.

In addition to the aforementioned factors, the operating performance of the Group's toll roads was also affected either positively or negatively by the changes in circumjacent competing or cooperative road networks as well as the maintenance and repairing works conducted for circumjacent roads. During the Reporting Period, the following sections were affected to various extents by these factors:

Chengyu Expressway: Traffic volume for Chengyu Expressway was affected by traffic diversion from Leyi Expressway which was completed and opened to traffic on 26 December 2010, a new route from Chengdu to Yibin via Chengya Expressway, Chengle Expressway and Leyi Expressway in addition to the existing route via Chengyu Expressway and Neiyi (Neijiang-Yibin) Expressway.

Chengya Expressway: The completion and opening to traffic of Leyi Expressway brought more traffic flow to Chengya Expressway. Nevertheless, Chengya Expressway was also affected by the following factors: (1) on 9 November 2010, Qiongming (Qionglai City-Mingshan County of Ya'an City) Expressway ("**Qiongming Expressway**"), with its beginning and ending connected to Chengwenqiong (Chengdu City-Wenjiang District-Qionglai City) Expressway and Chengya Expressway respectively, was completed and opened to traffic and thus became the second fast route from Chengdu to Ya'an, and hence diverted away some traffic from Chengya Expressway; (2) as the reconstruction work of Chengxin (Chengdu-Xinjin) Dajian section for expansion was basically completed and opened to traffic in November 2010, some traffic from Chengdu to Shuangliu and Xinjin was diverted to Chengxin Dajian section from the Chengdu-Xinjin section of Chengya Expressway; (3) the maintenance and repairing work of Route 318, which is parallel to the sections of Ya'an East Station-Mingshan Station-Taiping Station of Chengya Expressway, was completed in February 2011. Besides, Ya'an Municipal Government imposed fee on Chuan T (川T) passenger automobiles, and the toll-by-weight policy did not apply to Route 318. As a result, the Ya'an section of Chengya Expressway suffered from the effects of traffic diversion.

Despite the aforesaid traffic diversions, as Yaxi (Ya'an-Xichang) Expressway ("**Yaxi Expressway**") will be completed and opened to traffic before 1 May 2012, and thus will connect Chengya Expressway and Xipan (Xichang-Panzhihua) Expressway, reaching all the way for exiting Sichuan to Yunnan Province. It is expected that Chengyu Expressway will see a relatively noticeable increase in its traffic volume as a result of the opening of this extended line. Meanwhile, as Xichang is a hot travel destination in Sichuan Province, the opening of Yaxi Expressway will further distinguish the features of Chengya Expressway as a travel route.

Chengle Expressway: The completion and opening to traffic of Leyi Expressway brought more traffic flow to Chengle Expressway. However, the opening to traffic of the Meishan section of Route 103 (old road) after its maintenance and repairing work completed at the end of April 2011 also led to some traffic diversion of the corresponding section of Chengle Expressway.

Chengbei Exit Expressway: In 2011, Chengbei Exit Expressway recorded an increase in toll income at a slower pace as compared with last year, due to the following main reasons. Firstly, it has a unique geographical location. Chengbei Exit Expressway starts from No. 2 Ring Road in the urban district of Chengdu, passes through No. 3 Ring Road, and ends at Chengdu Ring Expressway. With more rapid urban development, the density of circumjacent road networks parallel to it increases constantly, with increasing traffic diversion effects. Specifically, (i) the Dajian section of Chuanshan Highway, after the reconstruction work for expansion, was completed and opened to traffic at the end of 2010 and the two toll stations at Sanhechang and Guanghan stopped toll collection since 26 January 2011; (ii) in November 2010, the section from No. 2 Ring Road in Chengdu urban district to Sanxing Town of Guanghan City of Chengde (Chengdu-Deyang) Avenue (new northern main line and northern extended line) was completed and opened to traffic; (iii) at the end of November 2010, an interchange overpass at the intersection of Longtansi No. 3 Ring Road on the Chengqingjin (Chengdu-Qingbaijiang-Jintang) Fast Route was completed and brought more convenience to the route; (iv) tributary lines such as Shulong Road, Longqing Road and Panda Avenue are interwoven within Chengdu city. Secondly, urban traffic congestion became worse as a result of rapid urban development. In order to alleviate congestion in the urban district, the traffic to No. 3 Ring Road of Chengdu was restricted in specified time periods since January 2011; in addition, a system that barred vehicles from No. 3 Ring Road of Chengdu by restricting vehicles by the final digit of their license plates was implemented from 20 June to 30 September 2011 due to road surface maintenance work of its main and auxiliary lanes. These all decreased the traffic volume of Chengbei Exit Expressway via No. 3 Ring Road of Chengdu.

(III) Other business

In 2011, the Group recorded other revenue (other than those revenue from operation of toll roads) of approximately RMB3,890,895,000, representing an increase of 86.98% over last year. During the Year, other businesses of the Group were mainly attributable to six subsidiaries of the Company (namely Shunan Company, Shuhai Company, Shugong Company, Shusha Company, Shuhong Company and Zhonglu Energy Company), and Chengren Branch. The operating results of each of them were set out as follows:

Shunan Company's revenue was approximately RMB965,318,000, and the profit was approximately RMB77,092,000.

Shuhai Company completed adjustment in investment structure, and achieved progress and breakthroughs in areas of transportation energy and urban infrastructure construction. In June 2011, Shuhai Company and PetroChina Company Limited ("**PetroChina**") established Zhonglu Energy Company which is held as to 51% by Shuhai Company, for the operation of gas stations along the Group's expressways. In July 2011, Shuhai Company set up its wholly-owned Shuhong Company to implement the Renshou Land-linked Pilot Project.

Shugong Company's revenue was approximately RMB1,165,956,000 (including intra-group construction income which has been eliminated on consolidation), and the profit was approximately RMB34,053,000, representing increases of 108.47% and 56.81% respectively as compared to last year. During the Year, Shugong Company vigorously developed its business potentials with respect to road construction and building. In November 2011, Shugong Company obtained the qualification certificate for construction enterprises (with qualifications for Grade-1 Engineering, Procurement and Construction (EPC) for road projects, and Grade-1 professional contracting services for road surface projects) issued by the Ministry of Housing and Urban-Rural Development of the PRC. The obtaining of such qualifications was conductive to Shugong Company to further expand businesses in respect of EPC for road projects and professional contracting services for road surface projects, and had a positive effect on the fulfilment of the Company's operational strategy and sustainable development, etc.

Shusha Company's revenue was approximately RMB15,752,000, and the profit was approximately RMB3,121,000, representing increases of 9.79% and 18.74% respectively as compared to last year.

Shuhong Company's revenue was approximately RMB2,308,000 (interests income from the advance payment for land appropriation and relocation), and the profit was approximately RMB1,178,000.

Zhonglu Energy Company's revenue was approximately RMB92,283,000, and the profit was approximately RMB1,342,000.

Chengren Branch recorded revenue of approximately RMB2,604,891,000 from the construction contract of Chengren Expressway, representing an increase of 60.78% over last year (2010: approximately RMB1,620,119,000).

(IV) Project investment and financing

1. Investments by the Company

– Chengren Expressway BOT (Build-Operate-Transfer) Project

The total length of Chengren Expressway is approximately 106.613km, commencing from Chengdu Ring Expressway (K34+600) and ending at Zhichanggou at the boundary of Renshou County, Meishan City and Weiyuan County, Neijiang City. The operation period for the project is 29 years and 300 days from the first day when Chengren Expressway commences to charge toll fees.

As at 31 December 2011, a total of approximately RMB2,606 million was invested in the Chengren Expressway BOT Project during this Year. Since commencement of construction of this project, a total of approximately RMB4,586 million had been invested, representing 62.72% of the total investment budget for the project of approximately RMB7,311 million, including a total of approximately RMB2,954 million investment in respect of road construction and installation of relevant facilities.

As at the date hereof, the land appropriation and relocation work for the Chengren Expressway BOT Project was basically completed, with some flyovers and tunnels already completed, subgrade inspection proceeding in succession as well as road surfacing and landscaping also in steady progress. The overall construction quality and safety of the project are under control, and construction has been progressing smoothly. The project is expected to be completed and opened to traffic in 2012. Furthermore, in order to ensure normal operation of Chengren Expressway immediate after completion of the construction and opening to traffic, Chengren Branch has begun the pre-operation preparation such as recruiting toll collectors and preparing trainings, etc.

The impact of Chengren Expressway BOT Project covers relatively developed regions in Sichuan Province. In particular, it will benefit from the implementation of the "Master Plan for Tianfu New District" of Chengdu and is expected to have a relatively satisfactory profit prospect upon opening to traffic. This will further consolidate the business position of the Company in the investment in, management and operation of expressways in Sichuan Province and western China, and boost the core competitiveness of the Company, so as to enhance its sustainable development capability.

– **Shuangliu Renbao BT Project**

Phase I and Phase II of the Shuangliu Renbao BT Project include 4 roads with a total length of approximately 12.1km (Industry Park Avenue, Cargo Transportation Avenue, west 2nd section of Zhenggong Road and Zongbao Road), roads with a total length of approximately 15.96km (east section of Industry Park Avenue, Wulian Avenue, Warehouse Road, Zongbaoheng Road, Patrol Road and Zongbao section of Shuanghuang Road) as well as electricity shallow groove which is part of the infrastructure construction in Renbao Industry Park with the estimated investments of approximately RMB687 million and RMB665 million, respectively. Shunan Company, a wholly-owned subsidiary of the Company, is responsible for development and construction of such project as project company.

As at 31 December 2011, a total of approximately RMB1,391million was invested in construction of the Shuangliu Renbao BT Project, representing 102.88% of the estimated total investment of approximately RMB1,352 million.

Shuangliu Renbao BT Project marked the first time for the Company to invest in and construct transportation infrastructure projects in the form of BT (i.e. build and transfer model). Participating in BT projects not only expanded and enriched the Company's business development approach and experience, but also created a new profit driver, which in turn would further improve the Group's overall profitability.

– **Renshou BT Projects**

The Renshou BT Projects comprise the Renshou Avenue Connection Line Project and the Renshou Land-linked Pilot Project. The Renshou Avenue Connection Line Project, commencing from Renshou Avenue which is under construction and ending at Renshou interchange toll plaza of Chengren Expressway, has a designated total length of 4.693km and the road breadth of 110 meters. The project includes construction of a 60 metre-wide road, emergency shelter and the landscaping work. The Renshou Land-linked Pilot Project is located at Gaotan village, Wenlin Town (where the county government is located), Renshou County which involves a land area of 4,848 Mu. The investment includes relocation of farmers' houses, settlement of "San Tong Yi Ping" (generally referred to as site clearance and resettlement, connecting temporary water and electricity supply to the site and road connection to the site) as well as construction of ancillary municipal roads, resettlement houses (including preparation work) (approximately 112,700 sq.m.) and ancillary facilities and roads at the resettlement site. The total investment for the above two projects is approximately RMB712.211 million including approximately RMB394.365 million for the Renshou Avenue Connection Line Project and approximately RMB317.846 million for the Renshou Land-linked Pilot Project (subject to the audit results of governmental competent authorities).

The Renshou Avenue Connection Line Project was implemented by Shugong Company, a wholly-owned subsidiary of the Company, while the Renshou Land-linked Pilot Project was implemented by a project company, Shuhong Company, set up solely by Shuhai Company, a company controlled by the Company. As at the end of the Reporting Period, approximately RMB60 million was invested in relocation work and construction revenue of approximately RMB123 million was recognised in respect of the Renshou Avenue Connection Line Project; and approximately RMB72 million was invested in relocation work in respect of the Renshou Land-linked Pilot Project.

– **Integration project of gas stations along the Group's expressways**

- Establishment of Zhonglu Energy Company

In line with the development approach of "one main body and two wings", putting more efforts in developing expressway-related business, the Company decided to bring in a cooperative partner for investment in and operation of gas stations along the expressways. In June 2011, Shuhai Company, a subsidiary controlled by the Company, and PetroChina established Zhonglu Energy Company, with a registered capital of RMB52 million, in which Shuhai Company contributed RMB26.52 million and PetroChina contributed RMB25.48 million, representing 51% and 49% of the registered capital of Zhonglu Energy Company respectively.

Zhonglu Energy Company proposed to lease from the Company the lands and related resources sufficient for constructing 4 pairs of gas stations along Chengren Expressway and to invest in, build and operate such 4 pairs of gas stations. Moreover, in order to incorporate the relevant assets of the 12 gas stations along Chengyu Expressway (Sichuan section) leased and operated by Sichuan Marketing Branch of PetroChina into Zhonglu Energy Company for unified operation, on 19 October 2011, Shuhai Company and PetroChina entered into the Agreement Concerning Increase of Shareholders' Investment in Zhonglu Energy Company, pursuant to which both parties agreed to increase the capital reserve of Zhonglu Energy Company to RMB55.10 million by way of increasing shareholders' investment while without increasing the registered capital of Zhonglu Energy Company, of which Shuhai Company made a cash contribution of RMB28.10 million, representing 51% of the total incremental capital reserve, and PetroChina contributed RMB27 million in the form of injection of the relevant assets of the 12 gas stations along Chengyu Expressway (Sichuan section), representing 49% of the total incremental capital reserve.

- Reorganisation of Chengya Oil Company

Chengya Oil Company, established in January 2001, is mainly engaged in operation of the gas stations along Chengya Expressway. In order to keep in line with the Group's development strategy of "one main body and two wings", and increase the Company's shareholding in Chengya Oil Company, the Company and Sichuan Traffic Oil and Asphalt Supply Company Limited (四川省交通油料瀝青供應有限責任公司, "**Traffic Oil Company**") agreed, after negotiation, to increase capital in and reorganise Chengya Oil Company by leveraging the opportunity of reconstruction of service zones along Chengya Expressway, and entered into the Capital Increase Agreement and completed the registration of changes in relation to the capital increase with relevant industrial and commercial authorities in January 2012. Basic information about Chengya Oil Company before and after the reorganisation is as follows:

Before the reorganisation: The registered capital was RMB2.2 million, which was held as to 45% by the Company and 55% by Traffic Oil Company;

After the reorganisation: The registered capital is RMB27.20 million (which means an increase of RMB25 million in registered capital), including RMB12.882 million contributed in cash by the Company and RMB12.118 million contributed in cash by Traffic Oil Company. Both parties paid up their respective contributions in lump sum. Upon completion of this capital injection, the Company and Traffic Oil Company hold 51% and 49% equity interest in Chengya Oil Company respectively.

– **Suiguang Suixi Expressways BOT Project**

At the 40th meeting of the fourth session of the Board held on 21 November 2011, the resolutions on investment in Suiguang Suixi Expressways BOT Project and relevant matters were considered and approved. On 21 November and 13 December 2011, the Company and Suining Municipal People's Government, Guang'an Municipal People's Government and Nanchong Municipal People's Government entered into the conditional Investment Agreement and License Agreement respectively in relation to the project. Both of the aforesaid two agreements are subject to, among other legal procedures, obtaining approval at general meetings of the Company. The resolutions on investment in Suiguang Suixi Expressways BOT Project and relevant matters (including but not limited to the execution of the agreements) were approved at the extraordinary general meeting of the Company held on 13 January 2012.

The total length of the Suiguang Suixi Expressways BOT Project is approximately 162.671km, scheduled to fully commence construction in 2012, with the construction period of 3 years and toll-collection period of 29 years and 336 days. The estimated total investment amount for this project is approximately RMB12.284 billion (subject to the final amount approved by the relevant governmental authorities).

- Suiguang Expressway, with its starting point connecting the already-constructed Jinqiao single-trumpet-shaped Interchange of Miansui Expressway and the ending point linking the Zaoshanpu Interchange of Guangnan Road, as well as with the Zaoshanpu Interchange connection line linking Guang'an Yingbin Avenue which is under construction, has a total length of approximately 96.821km. The estimated total investment amount is approximately RMB7.329 billion (subject to final approval by the relevant governmental authorities). Construction of such expressway will further improve the expressway network within Sichuan Province, create the most direct and convenient expressway between Suining City and Guang'an City, and divert some traffic from Suining-Guang'an section of G42 Hurong Expressway to some extent.

- Suixi Expressway, with its starting point from Fushanba of Jixiang Town, Pengxi County, Suining City and the ending point at Jiajiawan of Taipin Town, Xichong County, Nanchong City, as well as the T-shaped interchange connecting Guangnan Expressway, has a total length of approximately 65.85km. The estimated total investment amount is approximately RMB4.955 billion (subject to final approval by the relevant governmental authorities). This expressway, located at Suining City and Nanchong City of Sichuan Province, connects a number of major expressways in the province such as Miansuinei Expressway, Chengnan Expressway, Guangnan Expressway and Chengde'nanba Expressway, creating a more complete and convenient expressway network, thereby enhancing the transport efficiency of the road network.

Currently, the Company is working for the establishment of project company and other relevant matters.

The investment in and construction of Suiguang Expressway and Suixi Expressway will ensure the sustainable development of Group's principal businesses and are in line with the Group's development strategy of "one main body and two wings".

– **Shuangliu West Airport Phase VI BT Project**

At the 41st meeting of the fourth session of the Board held on 13 January 2012, the Board considered and approved the resolutions such as the investment in and construction of the Shuangliu West Airport Phase VI BT Project by the Company, and approved Shunan Company to be the project company responsible for the preparation, construction and transfer of the project. On 17 January 2012, the Company was chosen to undertake the project, content of which includes a total of 4 roads, i.e. south extension line of Aviation Avenue, the road on the east side of Rayspower, Airport Road No. 4 and the west extension line of Industrial Park Avenue, with a total length of approximately 8.84km. The estimated total investment amount is approximate RMB616.07 million, including land requisition and relocation fee of approximately RMB163.03 million and expenditures for road construction and installation of relevant facilities of approximately RMB453.04 million.

On 24 February 2012, the Company and Transportation Bureau of Shuangliu County entered into the Investment Agreement in relation to the Shuangliu West Airport Phase VI BT Project, and signed the Relocation and Investment Contract (draft) and the Investment and Construction Contract (draft). Shunan Company, a subsidiary of the Company, will act as the project company to formally enter into the Relocation and Investment Contract and the Investment and Construction Contract with Transportation Bureau of Shuangliu County whilst the relevant rights and obligations of the Company under the draft contracts will be transferred to Shunan Company.

2. Financing activities of the Company

– **Issue of short-term commercial papers**

At the extraordinary general meeting of the Company held on 16 November 2010, it approved the Company, for a period of 3 years commencing from the date of the meeting, to register debt financing instruments in a principal amount not more than 40% of the latest audited consolidated net assets value (including minority shareholders' interests) of the Group in one or several tranches in domestic China, which will be issued within the effective period of the registration, as well as the RMB2 billion short-term commercial papers registered with the National Association of Financial Market Institutional Investors (中國銀行間市場交易商協會) on 10 November 2009 to continue issuance within its effective registration period.

On 17 March 2011, the Company completed the issuance of the above RMB2 billion short-term commercial papers with a denomination of RMB100 each at an interest rate of 4.58% for a term of 365 days. On 16 March 2012, the short-term commercial papers were fully repaid by the Company.

– **Medium-long term syndicated loan**

In March 2010, the Company and nine banks including China CITIC Bank Corporation Limited Chendu Branch entered into a medium-long term syndicated loan contract with a total loan amount not exceeding RMB4.89 billion for a term of 20 years (from 12 March 2010 to 11 March 2030). The proceeds from the loan shall be used for construction of the Chengren Expressway BOT Project. As at 31 December 2011, drawdown of the loan made by the Company aggregated RMB2,610 million.

III. Financial Review and Analysis

Summary of the Group's Results

	2011 ***RMB'000***	2010 *RMB'000*
Revenue	**6,236,966**	4,305,422
Including: toll income	**2,346,071**	2,224,500
construction contract revenue	**3,776,611**	2,061,614
Profit before tax	**1,565,020**	1,366,236
Profit attributable to owners of the Company	**1,304,163**	1,145,274
Earnings per share attributable to owners of the Company *(RMB)*	**0.426**	0.375

Summary of the Group's Assets

	At 31 December 2011 ***RMB'000***	At 31 December 2010 *RMB'000*
Total assets	**16,754,726**	11,897,333
Total liabilities	**7,247,450**	3,473,336
Non-controlling interests	**162,116**	104,362
Equity attributable to owners of the Company	**9,345,160**	8,319,635
Equity per share attributable to owners of the Company *(RMB)*	**3.056**	2.721

Analysis of Operating Results

Revenue

The Group's revenue for the Year amounted to RMB6,236,966,000 (2010: RMB 4,305,422,000), representing an increase of 44.86% over last year, of which:

(1) The net toll income was RMB2,346,071,000 (2010: RMB2,224,500,000), representing an increase of 5.47% over last year, which represents the net toll incomes of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway. Please refer to pages 17 to 19 of this report for details of the main factors influencing the toll income of the Group during the Reporting Period.

(2) Construction contract revenue (before revenue taxes) in respect of service concession arrangements was RMB2,685,924,000 (2010: RMB2,026,492,000), representing an increase of 32.54% over last year. This was mainly attributable to RMB2,604,891,000 of construction contract revenue (before revenue taxes) (2010: RMB1,620,119,000) from the Chengren Expressway BOT Project and an aggregate of RMB81,033,000 of construction contract revenue (before revenue taxes) (2010: an aggregate of RMB406,373,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway during the Year, which were recognized under the percentage-of-completion method.

(3) Construction contract revenue (before revenue taxes) in respect of construction works performed for third parties amounted to RMB1,136,423,000 (2010: RMB53,269,000), which was mainly due to the construction contract revenue (before revenue taxes) of RMB938,099,000 (2010: nil) in respect of Shuangliu Renbao BT Project recognized under the percentage-of-completion method during the Year.

Other Income and Gains

The Group's other income and gains for the Year amounted to RMB92,996,000, representing an increase of 82.12% over last year. This was mainly attributable to the interest income of RMB33,326,000 (2010: nil) from the advance payment for land appropriation and relocation in respect of the BT projects of the Group recognized pursuant to relevant agreements . Please refer to note 23(b) to the financial statements for details.

Operating Expenses

The Group's operating expenses for the Year amounted to RMB4,645,290,000 (2010: RMB2,908,006,000), representing a year-on-year increase of 59.74%, of which:

(1) Construction contract costs in respect of service concession arrangements was RMB2,675,515,000 (2010: RMB1,971,958,000), representing a year-on-year increase of 35.68%. This was mainly attributable to construction contract costs of RMB2,604,878,000 (2010: RMB1,620,119,000) from Chengren Expressway BOT Project and construction contract costs of an aggregate of RMB70,637,000 (2010: an aggregate of RMB351,839,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway, Chengle Expressway and Chengbei Exit Expressway during the Year, which were recognized under the percentage-of-completion method.

(2) The costs in respect of construction contract works performed for third parties was RMB929,481,000 (2010: RMB51,121,000). This was mainly due to the construction contract costs of RMB748,773,000 (2010: nil) in respect of Shuangliu Renbao BT Project recognized under the percentage-of-completion method during the Year.

(3) Depreciation and amortization expenses increased by 9.32% from RMB329,318,000 in the previous year to RMB360,018,000 this Year, mainly attributable to the increase in service concession arrangements which led to an increase in amortization and a higher traffic flow which led to an increase in amortization for service concession arrangements as compared with last year.

(4) Staff costs increased by 36.24% from RMB230,607,000 in the previous year to RMB314,184,000 this Year. This was principally due to the increases in total salary, various social insurances and accommodation fund paid in the Year to certain extent given the Company's business expansion as well as the increase in staff of the Company and average salary for the working population of Chengdu.

(5) Costs of repairs and maintenance decreased by 15.93% from RMB195,098,000 in the previous year to RMB164,022,000 this year, which was daily maintenance costs for the Group's roads and auxiliary facilities.

Finance Costs

The Group's finance costs for the Year amounted to RMB130,076,000, representing an increase of 36.99% as compared with last year, principally attributable to (1) the Company registered and issued RMB2 billion short-term commercial papers on 17 March 2011 at a higher annual interest rate of 4.58% (interest rate for the short-term commercial papers outstanding in 2010: 3.49%), and incurred issuance handling fee of RMB8,000,000 (2010: nil); (2) the Group obtained additional bank loans of RMB350,000,000 for commencement of construction business of BT projects in 2011; and (3) the finance costs increased due to the increase in interest rate on bank loans as a result of the regulations on macro adjustment and control implemented by the State in 2011.

Taxation

The corporate income tax of the Group for the Year amounted to RMB245,978,000, representing an increase of approximately 17.06% as compared with 2010. This was mainly due to the growth in the Group's gross profit before tax for the Year.

Profit

The Group's profit for the Year amounted to RMB1,319,042,000, representing an increase of 14.09% as compared with RMB1,156,105,000 in the previous year, of which the profit attributable to owners of the Company was RMB1,304,163,000, representing an increase of 13.87% as compared with last year. This was mainly due to:

(1) the growth in the Group's toll income over last year to some extent which led to an increase in the profit from the toll collection business of the Group to some extent;

(2) the construction business of Shuangliu Renbao BT Project recorded a profit of RMB77,092,000 (2010: nil) this Year.

Analysis of Financial Position

Non-current Assets

As at 31 December 2011, the Group's non-current assets amounted to RMB13,082,725,000, representing an increase of 24.71% as compared with the end of 2010. The increase was mainly due to the addition in property, plant and equipment of RMB153,836,000 for the Year; an increase of RMB2,685,924,000 in service concession arrangements (including a total of RMB81,033,000 for technological renovation projects of Chengyu Expressway , Chengya Expressway and Chengle Expressway and RMB2,604,891,000 for Chengren Expressway BOT Project); and a total of RMB360,018,000 of depreciation and amortization for intangible assets.

Current Assets and Current Liabilities

As at 31 December 2011, current assets of the Group amounted to RMB3,672,001,000, representing an increase of 161.06% as compared with the end of 2010, mainly because of:

(1) an increase of RMB505,221,000 in the closing balance of cash and cash equivalents as compared with the end of 2010 due to the Company's issue of short-term commercial papers, increase in external borrowings as well as the closing balance of working capital this Year;

(2) an increase of receivables of RMB938,099,000 in respect of Shuangliu Renbao BT Project, the construction work of which was basically completed in respect of which a construction contract revenue of RMB938,099,000 (2010: nil) was recognized as at 31 December 2011 under the percentage-of-completion method (please refer to note 22 to the financial statements for details);

(3) an increase of receivables of RMB716,848,000 in aggregate in respect of Shuangliu Renbao BT Project and Renshou BT Project (please refer to note 23 to the financial statements for details).

As at 31 December 2011, the Group's current liabilities amounted to RMB4,119,053,000, representing an increase of 98.08% as compared with the end of 2010, mainly attributable to: repayment of the current borrowings of RMB1,200,000,000, issue of short-term commercial papers of RMB2 billion and interests payables of RMB73,789,000, and an increase of construction work payables to contractors in respect of Chengren Expressway BOT Project, Shuangliu Renbao BT Project and Renshou Avenue Connection Line Project of RMB701,498,000, RMB211,876,000 and RMB85,235,000, respectively.

Non-current Liabilities

As at 31 December 2011, non-current liabilities of the Group amounted to RMB3,128,397,000, representing an increase of 124.44% as compared to the end of 2010, which was principally attributable to an increase of RMB1,496,050,000 in bank loans for Chengren Expressway BOT Project and an increase in three-year bank loan of RMB300,000,000.

Equity

As at 31 December 2011, equity of the Group amounted to RMB9,507,276,000, representing an increase of 12.86% as compared with the end of 2010, mainly attributable to: (1) net profit for the Year of RMB1,319,042,000 which increased the equity; (2) 2010 final dividend of RMB266,051,000 declared in the Year which decreased the equity.

Capital Structure

As at 31 December 2011, the Group had total assets of RMB16,754,726,000 and total liabilities of RMB7,247,450,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 43.26% (2010: 29.20%), representing an increase of 14.06 percentage points from that as at the end of 2010, mainly due to the increase in syndicated loan for Chengren Expressway and the issuance of short-term commercial papers by the Group.

Cash Flow

As at 31 December 2011, the closing balance of the cash and cash equivalents of the Group amounted to RMB1,788,940,000, including approximately HK$53,000 (equivalent to approximately RMB43,000) deposits in Hong Kong dollars, and approximately RMB1,788,897,000 cash and deposits in Renminbi, representing an increase of RMB505,207,000 over the end of 2010 (31 December 2010: RMB1,283,690,000). During the Year, the Group's net cash outflow from operating activities amounted to RMB1,535,162,000 (2010: RMB245,899,000), representing an increase of RMB1,289,263,000 from 2010, which was mainly due to the time difference between the operating cash income and expenditure in respect of Chengren Expressway BOT Project, Shuangliu Renbao BT Project and Renshou Avenue Connection Line Project as a part of the construction costs for these projects were paid in the Year while the revenue from them shall be received by installments pursuant to relevant agreements.

During the Year, the cash outflow of the Group mainly consisted of: expenditures of RMB1,373,566,000 in cash for the Company's daily operation and management (including cash expenditure of RMB958,104,000 for goods purchased and labour services received, up RMB502,947,000 from last year, which was mainly attributable to the expenditures in connection with construction works for Shuangliu Renbao BT Project and Renshou Avenue Connection Line Project), RMB265,558,000 for various taxes paid, a total of RMB237,435,000 for additional fixed assets acquired and technical renovation projects on road surface of Chengyu Expressway, Chengya Expressway and Chengle Expressway, RMB1,844,076,000 (including capitalised interest) for construction of Chengren Expressway, RMB49,298,000 for interest payment (excluding the capitalised interests for Chengren Expressway), and RMB266,051,000 for dividends payment.

Capital Commitment

Details of the Group's capital commitment as at 31 December 2011 are set out in note 31 to the financial statements.

Risk of Exchange Fluctuation

Save that the Company needs to purchase Hong Kong dollars to distribute dividends to H Shares Shareholders, the operating income and expenses as well as the capital expenditures of the Group are mainly denominated in Renminbi and thus the fluctuation in exchange rate does not have material impact on the Group's results.

In addition, the Group had not used any financial instrument for hedging purposes during the Reporting Period.

Borrowings and Solvency

As at 31 December 2011, the Group's interest-bearing bank and other loans amounted to RMB5,220,471,000, all of which were loans with fixed interests, of which the balance of bank loans was RMB3,154,562,000, with annual interests rate from 5.265% to 6.56%; the balance of other loans amounted to RMB65,909,000, with annual interests rate from 2.82% to 5.00%; and the outstanding short-term commercial papers was RMB2,000,000,000 with annual interests rate of 4.58%. The relevant balances are as follows:

		Maturity profile of interest-bearing borrowings		
	Total amount *RMB'000*	**Within 1 year** *RMB'000*	**From 1 year to 5 years** *RMB'000*	**Over 5 years** *RMB'000*
Loans from domestic commercial banks	3,154,562	77,000	1,359,125	1,718,437
Other loans	65,909	22,727	43,182	–
Short-term commercial papers	2,000,000	2,000,000	–	–
Total (as at 31 December 2011)	**5,220,471**	**2,099,727**	**1,402,307**	**1,718,437**
Total (as at 31 December 2010)	2,675,146	1,297,727	855,659	521,760

With the Group's steady cash flow, solid capital structure and sound credit records, the Group has established and maintained favorable credit relations with financial institutions, enjoying most preferential interest rates for its loans. As at the end of the Reporting Period, the Group had acquired bank facilities of RMB3,613 million from financial institutions available for use in the following one to two years. In addition, in 2010, China CITIC Bank Corporation Limited (Chengdu Branch) as leader and other eight banks carrying out businesses in China formed a bank consortium, which signed a loan contract with the Group for a medium-long term loan of RMB4,890 million. Such loan is specially used for construction of Chengren Expressway BOT Project. As at 31 December 2011, RMB2,610 million had been drawn down on an accumulative basis.

Contingent Liabilities and Pledge of Assets

As at 31 December 2011, the Group's term deposits of RMB10,522,000 and RMB10,000,000 were pledged to secure Chengren Expressway BOT Project and Suiguang Suixi Expressways BOT Project respectively; the concession rights to collect toll income pertaining to Chengbei Exit Expressway and Chengle Expressway with the net carrying values of RMB167,937,000 and RMB1,179,656,000, respectively (2010: RMB181,706,000 and RMB1,212,637,000, respectively) were pledged to secure bank loans amounting to RMB78,000,000 and RMB106,400,000, respectively (2010: RMB166,000,000 and RMB106,400,000, respectively); the future concession rights to collect toll income pertaining to Chengren Expressway with net carrying value of RMB4,581,868,000 (2010: RMB1,976,977,000) was pledged to secure the syndicated loan amounting to RMB2,610,162,000 (2010: RMB1,114,110,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2011.

IV. Business Development Plan

2012 is an important and the second year for the implementation of the "12th Five-Year Plan". Currently, the international political environment and economic situation remain very complicated and the unsteadiness and uncertainty in the recovery of world economy increase. As such, the stable operation of China's economy is expected to undergo numerous challenges. On the basis of the overall economic key note of "making progress while ensuring stability", the State will endeavor to ensure a stable and relatively rapid economic development through strengthening and improving macro adjustment and control. In addition, as the State continues to proceed with western China development scheme, joined with the deep implementation of Chengyu Economic Zone Development Plan and fastened construction of western comprehensive traffic pivot in Sichuan Province, we expect the Group to continue to enjoy a relatively stable, healthy and favourable operating environment as well as more and bigger development opportunities.

In line with our strategic goals, we formulated the following operation strategies and business plans for the year 2012:

1. The Group will, on the one hand, safeguard and improve the Group's overall operating benefits and accomplish sustained growth of operating results by continually enhancing and improving the operation and management of existing assets; and on the other hand, foster new profit growth drivers for the development of the Group by stepping up business expansion efforts.

2. While pushing forward the projects under construction in an efficient and orderly manner, the Company will put more efforts in the development of expressway-related industries of the Group. The Company will continue to proceed properly with the construction of Chengren Expressway BOT Project, Shuangliu Renbao BT Project and Renshou BT Project, strengthen project management and supervision, and ensure smooth completion of the projects; advance the progress of Suiguang Suixi Expressways BOT Project and Shuangliu West Airport Phase VI BT Project to enhance the momentum for the Group's sustainable development; increase efforts in the development of expressway-related industries of the Group, and proactively foster more profit drivers so as to expand the scales of our assets and operation as well as to open up new vista for corporate development.

3. Under the premises of financial security, the Company will step up research on the variety of financing tools, actively broaden financing channels and advance financing activities in a proper and safe manner, with an aim to ensure sufficient cash flow and financial resources to support the Group's liability level and business expansion, and safeguard the Group's healthy development.

4. Maintenance and management of expressways, which are the extension and development of expressway construction, play a vital role in protecting the functioning of expressways. The Group will put more efforts in preventive maintenance of the Group's road assets, improving daily maintenance of road surface, so as to ensure the Group's roads are properly maintained as well as safely and smoothly operated. Meanwhile, the Group will actively promote application of new technics, new materials, and new technologies to upgrade technology content and construction standard of road maintenance, laying a favourable foundation for the long-term stable condition of the Group's roads.

5. More efforts will be put in operation and management of the Group's roads. The Group will, on the one hand, press ahead with renovation and service improvement of service zones to ensure good operation order of the roads so as to promote the service standard of the Group as road operator, and on the other hand, step up toll collection inspection to ensure steady increase in the Group's toll income.

6. The Company will further improve construction of the human resources system, adhere to the principle of "competition-based employment with focus on both virtue and talent", establish and optimize the performance assessment system and the incentive mechanism, continuously enhance training and cultivation of staff at all levels by means such as combining life-long continuing education with formal education, and boosting the business competence and comprehensive management capabilities of staff. In addition, the Company will further improve the labour insurance system and forge harmonious labour relations for building a harmonious enterprise.

7. Scientific management is an important guarantee for the Company's sustained development. As the Company further develops, its corporate management standard and level are facing stricter requirements. As such, during the Reporting Period, the Company constructed a comprehensive internal control system within the Group in compliance with the requirements under "Basic Standard For Enterprise's Internal Control" jointly issued by five national ministries and commissions and its application guidelines. In 2012, the Company will continue to realign, complement and perfect its internal control system with an aim of a corporate internal control system with definite division between power and obligations, scientific management and high efficiency, so as to upgrade the corporate comprehensive management capacity and management efficiency and safeguard acceleration of the Group's development.

Looking into the future, we will seize the historical opportunities of leapfrog development in the transportation of Sichuan and the construction of Chengyu Economic Zone. In pursue of our development positioning of "consolidating internal resources, focusing on principal businesses, utilizing professional advantages, expanding relevant industries" and guided by "one main body and two wings" development approach, we strive to expand business development potential and asset scale of the Group, thus building the Company into a large infrastructure conglomerate with distinguished principal businesses, stable operation, sound governance structure and supreme management standard.

Sichuan Expressway Company Limited

Chengdu, Sichuan, the PRC
28 March 2012

I. Corporate Governance

As a listed company with both A Shares and H Shares, in addition to complying with the applicable laws and regulations, the Company is also required to comply with the requirements of the Code on Corporate Governance Practices (the "**Code**") as set out in Appendix 14 to the Listing Rules of the Stock Exchange and the Code of Corporate Governance for Listed Companies of the CSRC regarding the practice of corporate governance. As at the date of this report, there was no substantial deviation in the actual condition of the corporate governance of the Company from the requirements stipulated in the Code of Corporate Governance for Listed Companies, and the Company has adopted and fully complied with the Code provisions and will start to comply with the newly revised Corporate Governance Code under Appendix 14 to Listing Rules of the Stock Exchange from 1 April 2012.

Since establishment, the Company has set up a corporate governance structure comprising the general meeting, the Board, the Supervisory Committee and the management, and has conducted on-going review and improvement of such structure in practice. To date, the Company has successively established special committees under the Board, including the Audit Committee, the Strategic Committee, the Nomination Committee and the Remuneration and Appraisal Committee. The Company has also adopted an independent internal audit system, established a relatively comprehensive internal control system and formulated multi-tier governance rules based on the Articles of Association, aiming at clearly defining the duties, limits of authorities and codes of conducts for all parties. In accordance with laws, regulations and the governance rules, the general meeting, the Board, the Supervisory Committee and the management of the Company discharge their own duties, coordinate with each other, effectively counter-balance each other, and continuously enhance corporate governance standards, thereby laying down a solid foundation for driving the Company's development and maximising value for the Shareholders.

(I) Amendments to and improvements in the corporate governing system

During the Reporting Period, the Company further supplemented the corporate governing system of the Company, formulated and approved the Work Plan for Implementation of Internal Control Standard Practice and the Internal Control System, and amended the Articles of Association and the Working Rules for the Secretary to the Board in accordance with relevant requirements of the CSRC and the SSE.

At the 42nd meeting of the fourth session of the Board held on 28 March 2012, the establishments of the Strategic Committee, the Nomination Committee as well as the Remuneration and Appraisal Committee were considered and approved, and the Detailed Implementation Rules for the Strategic Committee under the Board, the Detailed Implementation Rules for the Nomination Committee under the Board, and the Detailed Implementation Rules for the Remuneration and Appraisal Committee under the Board were approved, and matters such as terms of reference for each committee were determined. The Board has also approved the Procedures For Election of Directors and has approved amendments to the Detailed Implementation Rules for the Audit Committee under the Board in light of the new Corporate Governance Code under the Listing Rules of the Stock Exchange to be effective from 1 April 2012. On the same date, the Board also amended the Rules for Management of Insider Information, the Administrative Measures for External Investment, the Decision Making Principles on Connected Transactions and the Administrative Measures for Fund Transfers with Connected Persons and External Guarantees, and the amendments to the Administrative Measures for External Investment, the Devision Making Principles on Connected Transactions and the Administrative Measures for Fund Transfers with connected Persons and External Guarantees are subject to approval by Shareholders at the forthcoming 2011 AGM of the Company.

(II) Establishment and improvement of the internal control system of the Company

After years of operation and development, the Company has established a relatively comprehensive internal control system, ensuring the normal production and operation of the Company and playing a vital role in controlling operation risks. As the Company further develops, its internal control system needs to be continuously optimized and enhanced. Meanwhile, in order to implement the "Basic Rules for Internal Control of Companies" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the Implementary Guideline for Enterprise Internal Control, and in light of the "Guidelines on Internal Control for Companies Listed on the SSE" by the SSE and the "Code on Corporate Governance Practices" by the Stock Exchange, the Company has set up a special leader team for implementing corporate internal control rules to promote the construction of corporate internal control system in an all-around way.

1. Progress of internal control system construction (implementation of enterprise internal control standard practice)

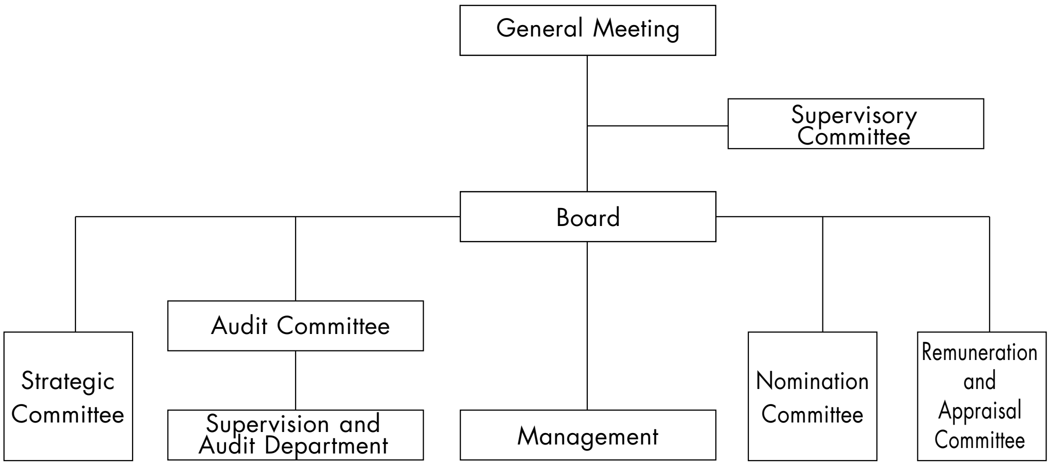
Ever since the second half year of 2010, the Company has conducted a series of preliminary work such as training, research, plan study and discussion, etc, in relation to the implementation of internal control standard practice to prepare well for officially embarking on this work in 2011. At the 35th meeting of the fourth session of the Board held in March 2011, the Internal Control System and the Work Plan for Implementation of Internal Control Standard Practice were considered and approved; from February to April 2011, the investigation on businesses and risks and defects for each business segment, department and geographical area completed, and formed the opinions on rectification and an interim work report; from May to September 2011, the Internal Control Manual (2011 Edition) was formulated based on the previous investigation and research work; in October 2011, the Internal Control Manual (2011 Edition) was issued to each unit and department within the Group for implementation. Currently, the Group is organizing the study, implementation and execution of the Internal Control Manual among the Group which will be mainly carried out in the following aspects: (1) gradually make necessary and proper adjustments to the internal management departments and organizations with a view to enhancing efficiency of the implementation on internal control; (2) further arrange and unify the management rules and regulations of the Company and its subordinate units to facilitate the centralised management of the Company; (3) further study and formulate human resources policies and administrative measures for payroll so as to strengthen the incentive and restrictive mechanism in human resources; (4) on account of the Company's BT and BOT project construction business, further revise and improve the Internal Control Manual of the Company so as to have in place practicable control measures and enhance the risk awareness; (5) further strengthen the follow-up inspection on the performance of contract and external equity investments, properly prepare and maintain the fundamental ledgers so as to better protect the Company's interests; (6) reinforce the connection between the project department and finance department so as to adopt the percentage-of-completion approach in monthly and quarterly accounting work with respect to the projects under construction; (7) further improve the functions of assets management units and strengthen the assets ascertaining and inspection; (8) strengthen the building of information system to gradually integrate various information systems and create an information-based management platform across the Company, so as to further improve the management efficiency of the Company.

2. Statement of the Board on the responsibility of internal control

The Board is responsible for establishing and effectively implementing a sound internal control system. During the Reporting Period, the Company has fully promoted the implementation of corporate internal control system with interim achievements, and has established a more comprehensive internal control system based on its original internal control system. Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2011, the Board considers that, in terms of such businesses and matters as included in the scope of assessment, the Company had in place internal control which had been implemented effectively with the Company's internal control objectives being accomplished, and there were no significant defects during the Reporting Period. Shinewing Certified Public Accountants has audited the effectiveness of the relevant internal control for financial reporting of the Company and issued auditors' reports with standard unqualified opinions.

II. Legal Person Governance Structure of the Company

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



(I) Shareholders and General Meetings

The Company treats all the Shareholders on an equal footing by ensuring that all Shareholders, especially minority and medium Shareholders, are entitled to enjoy equal status and fully exercise their respective rights, and are entitled to the right to access to and make decisions on material matters of the Company and strictly prohibits any act detrimental to the interests of the Company and the Shareholders as a whole. Notice of, authorization from and consideration of resolutions at general meetings are all in compliance with relevant procedures.

1. Substantial Shareholders

The substantial shareholders of the Company include STI Group (holding 31.88% equity interest) and Huajian Company (holding 20.85% equity interest). During the Reporting Period, the substantial shareholders had acted properly and never exploited their special position to intervene, in ultra vires over the general meetings, the decision-making or the operation of the Company or advance extra interests.

The Company has separate personnel, assets, finance, organization and business from the substantial shareholders. In respect of personnel, there is no interlocking and the Company has the rights of free appointment and removal in terms of labor and personnel; in respect of assets, the Company is strictly separated from controlling shareholders, possesses full ownership over its operating assets and operates with full independence; in respect of finance, the Company has an independent financial department and independent financial accounts and is able to autonomously make its financial decisions while the application of funds is free from any interference from the controlling shareholders; in respect of organization, there is no question of "one team operating in two companies", mixed operation or work in the same premise, and the office and business premise are separated; in respect of business, the Company has a different scope of business from those of controlling shareholders and owns entire business independence and independent operation capability.

2. General Meetings

As the highest authority of the Company, the general meeting exercises its power in determining material matters of the Company pursuant to the laws. According to the provisions of the Articles of Association and other rules, Shareholders holding, individually or jointly, 10% or more Shares of the Company, are entitled to propose convening of an extraordinary general meeting; Shareholders holding, individually or jointly, more than 3% Shares of the Company, are entitled to put forward motions to the general meetings.

The Company's annual general meetings or other extraordinary general meetings provide a channel of direct communication between the Board and Shareholders. Therefore, the Company puts high regard to general meetings. All Directors and senior management are required to attend the meetings as far as possible to answer Shareholders' enquiries and discuss directly with Shareholders about the Company's business and prospect. At the general meetings, all Shareholders have opportunities to make enquiries to the Directors about issues concerning the operation and results of the Group. The Company encourages all Shareholders to attend general meetings and issues the meeting notice within the prescribed period as stipulated under relevant regulations, and takes appropriate ways of disclosure and expression based on the regulatory regulations of different stock exchanges and reading habits of different investors to provide Shareholders with information that is helpful to decision-making. The Company discloses the details of procedures for Shareholders to attend in person or by proxy, contact information for enquiries by Shareholders, etc., in the notices of general meetings.

During the Reporting Period, the Company convened 1 annual general meeting and 1 extraordinary general meeting. Details of attendance of Directors at general meetings are as follows:

Name	Whether an independent non-executive Director	Attendance in person	Attendance by proxy	Absence
Tang Yong	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Zhang Zhiying	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Zhang Yang	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Gao Chun	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Zhou Liming	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Wang Shuanming	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Liu Mingli	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Hu Yu	No	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Luo Xia	Yes	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Feng Jian	Yes	2011 first extraordinary general meeting	Nil	2010 annual general meeting
Zhao Zesong	Yes	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil
Xie Bangzhu	Yes	2010 annual general meeting; 2011 first extraordinary general meeting	Nil	Nil

(II) Board and Directors

Board

1. Responsibilities and division of work

The Board acts on behalf of the interests of Shareholders as a whole and is accountable to the general meetings. Its main duties are to exercise rights of decision-making and management in accordance with laws and regulations and the authorisation of general meetings in terms of the Company's development strategies, management framework, financing and investment plans, financial control and human resources, etc, and to exercise supervision and inspection on the development and operating activities of the Company. Positions of the Chairman and the General Manager of the Company are taken up by different persons. The Chairman takes charge of affairs of the Board, reviews the execution of the resolutions of the Board, formulates the Company's development strategies and capital operation whereas the General Manager, with the support and assistance from the Board and other senior management of the Company, is responsible for implementation of the resolutions of the Board and management of the Company's day-to-day operations and related decision-making. The reasonable division of work under the laws ensures a definite division of power and obligations with clear-cut and efficient decisions and implementations between the Board and the management.

2. Composition

During the Year, the Board consisted of 12 Directors. It was the fourth session of the Board since the establishment of the Company. The term of office of the Directors commenced from 29 March 2007 or from the date on which the Directors were elected. As at the date of this report, the composition of the Board is set out in the section headed "Profile of Directors, Supervisors, Senior Management and Employees" in this annual report.

The fourth session of the Board has 4 independent non-executive Directors, representing one third of the total directorship. Independent non-executive Directors are experienced professionals in various industries including transportation, civil engineering, accounting and finance. With a responsible attitude and extensive professional knowledge and experience, the independent non-executive Directors have in good faith performed their independent duties of honesty and diligence in participating in discussion and decision-making on material matters of the Company, reviewing the fairness and justness of connected transactions, capital transaction and external guarantee of the Company as well as giving their independent opinions or recommendations, whereby the overall interests of the Company and the lawful interests of the Shareholders as a whole have been effectively safeguarded. Independent non-executive Directors have played an important role in the Board.

3. Meetings of the Board

During the Year, the Board convened a total of 7 Board meetings in view of the needs of the operation and business development of the Company. Details of attendance are as follows:

Name	Whether an independent non-executive Director	Required attendance in Board meetings during the Year	Attendance in person	Attendance via communications	Attendance by proxy	Absence	Personal absence for two or more consecutive meetings
Tang Yong	No	7	2	5	0	0	No
Zhang Zhiying	No	7	2	5	0	0	No
Zhang Yang	No	7	2	5	0	0	No
Gao Chun	No	7	2	5	0	0	No
Zhou Liming	No	7	1	5	1	0	No
Wang Shuanming	No	7	2	5	0	0	No
Liu Mingli	No	7	2	5	0	0	No
Hu Yu	No	7	2	5	0	0	No
Luo Xia	Yes	7	2	5	0	0	No
Feng Jian	Yes	7	2	5	0	0	No
Zhao Zesong	Yes	7	2	5	0	0	No
Xie Bangzhu	Yes	7	2	5	0	0	No

Number of Board meetings held during the Year		7
Of which:	Number of physical meetings	2
	Number of meetings held via communications	0
	Number of meetings held by way of combination of both	5

During the Reporting Period, all Directors of the Company have attended the Board meetings with due care and diligence, and offered professional suggestions and independent judgments in respect of the material issues being discussed at the meetings by virtue of their expertise and experience.

Apart from attendance of Board meetings with due diligence and performance of their duties with honesty, the independent non-executive Directors of the Company also held meetings with external auditors to discuss annual auditing issues in accordance with relevant requirements and guidance and provided independent opinions and recommendations to the Board in respect of material issues and connected transactions of the Group, etc. During 2011, independent non-executive Directors, by means such as joining the Board and special committees, reviewed and provided independent opinions on material issues of the Company such as investment decisions, connected transactions, capital transaction with related parties and external guarantee, profit distribution, remunerations for Directors and senior management and internal control, etc, whereby the overall interest of the Company and the lawful interest of the Shareholders as a whole had been safeguarded and the healthy development of the Company had been promoted.

During the Year, independent non-executive Directors had neither raised any objections to the resolutions of the Board nor made any proposals to convene a Board meeting.

The management of the Company is responsible for provision of relevant materials and information required for the Board's consideration of various resolutions and arranging for senior executives to report their work at Board meetings. The Board of the Company and its special committees are entitled to appoint independent professional institutions for services according to the needs of the exercise of authority, performance of duties or corporate businesses, and the reasonable expenses incurred therefrom shall be borne by the Company.

When a Board meeting considers any transaction, Directors shall declare their interests involved, and shall abstain from voting at the meeting as appropriate. The Company has stated that, if a substantial shareholder or a Director has a conflict of interest in any material matter, the connected Director must abstain from voting on the relevant resolutions at the Board meeting.

Directors

1. Appointment

Directors are elected or replaced at general meetings. Shareholders, the Board or the Supervisory Committee of the Company are eligible to nominate candidates for Directors in writing. Directors serve for a term of office of 3 years and, upon expiry of the term, their appointment is subject to further consideration at general meetings and they may offer themselves for re-election. Independent non-executive Directors shall be the persons not connected with the management and substantial shareholders of the Company.

2. Information support and professional development

As always, the Company has been committed to improving its internal information support system and communication mechanism so as to secure effective functioning of the Board. Through the Secretary to or office of the Board, all Directors during their term of office are able to keep abreast of relevant information and the latest movements in laws, regulations, regulatory ordinances and other continuing obligations that directors of listed companies shall comply with, on a timely basis.

During the Reporting Period, Zhang Zhiying, Vice Chairman, Secretary to the Board and Financial Controller of the Company, attended the 2011 Regional Symposium on Regulation over Listed Companies of Sichuan Province organized by Sichuan Securities Regulatory Bureau; the Chairman of Supervisory Committee, Financial Controller and 1 Supervisor attended the First Training Class of Internal Control for Listed Companies of Sichuan Province organized by the Listed Companies Association of Sichuan Province in 2011; the Chairman of Supervisory Committee attended the Meeting of Chairmen of Supervisory Committees organized by the Listed Companies Association of Sichuan Province; 2 Directors and the Chairman of Supervisory Committee attended the Training for Senior Management organized by the Listed Companies Association of Sichuan Province; the Secretary to the Board and the Representative of Securities Affairs of the Company attended the First and Third Subsequent Trainings for the Secretaries to Boards organized by the SSE in 2011.

Through various means such as information provision, work reports, site visits and professional trainings, etc, all Directors are enabled to keep informed of the business development, competition and regulatory environment of the Company on a timely basis, thus ensuring the Directors understand their duties. This facilitates correct and effective supervision by the Directors and ensure procedures of the Board and the applicable laws and regulations are duly observed.

3. Duty performance this Year

During the Reporting Period, the Board was jointly responsible for the management and operation of the Company's businesses. Each Director actively cared for the Company's businesses and cautiously and diligently executed their respective responsibilities on the basis of fully understanding the Company's businesses and in good faith in the best interests of the Company. Each Director attended the Board meetings with a prudent, responsible, active and serious attitude. Details of attendance are set out in the section headed "Meetings of the Board" in this annual report.

4. Remunerations of Directors and Supervisors

Until now, remunerations of the Directors, Supervisors and senior management of the Company are determined on the basis of relevant PRC policies or regulations, the Company's actual situation and applicable percentage of per capita income of the working population of Chengdu where the Company is situated, of which the remunerations of Directors are subject to approval of the general meeting of the Company. Information on the remunerations of Directors and Supervisors of the Company for 2011 are set out in note 8 to the financial statements of this annual report.

5. Independence of Directors

The Company has appointed a sufficient number of independent non-executive Directors. The Board has obtained written confirmations from all independent non-executive Directors concerning their independence in accordance with the requirements of Rule 3.13 of the Listing Rules of the Stock Exchange. The Company believes that the incumbent independent non-executive Directors have all complied with such rule and the relevant regulations of the SSE and are still regarded as independent.

6. Securities transactions by Directors

During the Year, the Company has adopted a code of conduct regarding securities transactions by the Directors on terms not less exacting than the required standards set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") contained in Appendix 10 to the Listing Rules of the Stock Exchange, and has strictly complied with the relevant requirements of the Listing Rules of the SSE. Having made specific enquiries to all Directors, it was confirmed that the Directors of the Company have complied with the Model Code in relation to securities transactions by the Directors and its standards of code of conduct and there had not been any non-compliance with the relevant requirements of the Model Code and the Listing Rules of the SSE.

7. Director's liability insurance

Purchase of liability insurance for Directors will, on one hand, enable the Company to establish an effective prevention mechanism against the vocational risks associated with the management staff, encourage their innovation, attract more excellent management talents and optimise the corporate governance structure of the Company; and on the other hand, it will enhance the anti-risk ability of the Company and contribute to the protection of the lawful interests of minority and medium Shareholders. Since March 2012, the Company has purchased liability insurance for Directors, Supervisors and senior management members of the Company in relation to their performance of duties.

(III) Special committees of the Board

1. Audit Committee

The Company set up the Audit Committee in November 2004. The Audit Committee comprises 3 independent non-executive Directors, namely Madam Luo Xia, Mr. Feng Jian and Mr. Zhao Zesong. Madam Luo Xia is the chairman of the Audit Committee. The term of office for members of the Audit Committee is the same as those of independent non-executive Directors.

The committee's main responsibilities include proposing the appointment or replacement of external audit institutions, supervising the Company's internal audit system and its implementation, responsible for the communications between the Company's internal and external audits, auditing the financial information and its disclosure of the Company, reviewing the internal control system of the Company, etc.

The committee hereby presents its work report during 2011 as follows:

Written Report of the Audit Committee

During 2011, the Audit Committee convened 7 meetings and 2 meetings at the beginning of 2012 (as at the date of this report) presided by Madam Luo Xia, the chairman of the Audit Committee. All members of the committee attended the meetings in person. The major work completed by the Audit Committee during 2011 is as follows:

– **Reviewing regular financial reports**

The Audit Committee is responsible for reviewing and supervising the quality and procedure of the Group's financial reporting. In accordance with relevant procedures, the management is responsible for preparation of the Group's financial reports including adoption of appropriate accounting policies, the external auditors are responsible for auditing and verifying the Group's financial reports and evaluating the Group's internal control system, while the Audit Committee supervises the work of both the management and the external auditors and confirms the procedures and safeguard measures adopted by the management and external auditors. The specific work includes:

(1) Reviewing the 2010 annual financial statements and unaudited financial statements for the second half year of 2011 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2011 (according to the PRC GAAP), and making approval suggestions to the Board.

(2) Before the annual audit of 2011, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2011 financial report of the Company and the report on annual audit plan from external auditors, and communicated on the audit scope, method, focus and specific scheduling for the Year.

(3) After completing audit and issuing preliminary audit opinions by external auditors, the Audit Committee convened the 2012 first meeting to discuss and communicate with the management and external auditors of the Company on relevant issues of the financial and accounting statements of the Company and the preliminary audit opinions of the auditors.

(4) During the audit process for the Year, the Audit Committee maintained continuous communications with external auditors and external auditors submitted this Year's audit report on time after prior and complete communications and prompt supervision during the audit.

(5) The Audit Committee convened the 2012 second meeting to consider the 2011 annual audit report of the Company and considered that the Group's 2011 annual financial statements can truly and correctly reflect the operation results of the Group this Year and the financial position as at 31 December 2011. It recommended the Board to make approval.

– **Internal control reviewing**

During the Reporting Period, the Audit Committee was also responsible for reviewing the Company's internal control, and proposed professional opinions on relevant matters during the construction of enterprise internal control system by the Company, and considered that the work had achieved good progressive achievements, so as to continuously optimize and enhance the internal control system of the Company and further improve the Company's internal control system in terms of integrity, implementation process and efficiency, etc.

– **Work evaluation and re-appointment of auditors**

The Audit Committee considered that Shinewing Certified Public Accountants and Ernst & Young Certified Public Accountants appointed by the Company as the auditors of the Company for 2011 had good performance in terms of independence and objectivity, professional technical level, audit quality and efficiency of financial information disclosure, communication results with the management and the Audit Committee, etc. The Board was recommended to re-appoint the above institutions as the international and PRC auditors of the Company for the year 2012 respectively.

Luo Xia, Feng Jian, Zhao Zesong
Members of the Audit Committee
28 March 2012

At the 42nd meeting of the fourth session of the Board on 28 March 2012, the revised Detailed Implementation Rules for the Audit Committee of the Board was considered and approved, and the terms of reference of the Audit Committee were adjusted to be as follows: to review the Company's financial information and its disclosure; to supervise the Company's internal control, financial reporting system and risk management procedures; to give recommendations on the appointment and dismissal of external accountants, to review and supervise the independence and objectivity of external accountants and the validity of audit procedures, to work with the Board to formulate policies concerning the Company's engagement of employees of the accountants, and to supervise the implementation of such policies and relevant matters, etc. For the purpose of this annual report, "external accountants" refers to external auditors.

2. Strategic Committee

At the 42nd meeting of the fourth session of the Board on 28 March 2012, the establishment of Strategic Committee of the Company was considered and approved, and Mr. Tang Yong, Mr. Zhang Zhiying and Mr. Xie Bangzhu (independent non-executive Director) were appointed as the members of the Strategic Committee, of which Mr. Tang Yong would serve as the chairman of the Strategic Committee. The term of office of members of the committee shall be in congruence with the term of the Board, and may be re-elected and re-appointed upon the expiry of the term of office.

Meanwhile, the Detailed Implementation Rules for the Audit Committee of the Board was considered and approved at this Board meeting. The major terms of reference of the Strategic Committee were specified to include: to conduct research and submit proposals regarding the long-term development strategies of the Company; to conduct research and submit proposals regarding material investment plans, material capital operation and assets operation projects required to be approved by the Board pursuant to the Articles of Association; to conduct research and submit proposals regarding other material matters that may affect the Company's development; and to carry out examination on the implementation of the above matters, etc.

3. Nomination Committee

At the 42nd meeting of the fourth session of the Board on 28 March 2012, the establishment of Nomination Committee of the Company was considered and approved, and Mr. Zhang Zhiying, Mr. Feng Jian (independent non-executive Director) and Mr. Zhao Zesong (independent non-executive Director) were appointed as the members of the Nomination Committee, of which Mr. Feng Jian would serve as the chairman of Nomination Committee. The term of office of members of the committee shall be in congruence with the term of the Board, and may be re-elected and re-appointed upon the expiry of the term of office.

Meanwhile, the Detailed Implementation Rules for the Nomination Committee of the Board was considered and approved at this Board meeting. The major terms of reference of the Nomination Committee were specified to include: to give suggestions to the Board on the structure, composition and change of members of the Board according to the Company's actual situation; to study the selection criteria and procedures for Directors and management staff, and give suggestions to the Board; to seek qualified candidates for Directors and management staff in a broad scope, and nominate relevant candidates for Directors and management staff after selection, or to give opinions to the Board in this regard; to examine the candidates for Directors, managers and other management staff, and give suggestions to the Board; to assess the independence of independent non-executive Directors; to give suggestions to the Board on the appointment or re-appointment of Directors and the succession plan for Directors (especially Chairman of the Board and General Manager), etc.

4. Remuneration and Appraisal Committee

At the 42nd meeting of the fourth session of the Board on 28 March 2012, the establishment of Remuneration and Appraisal Committee was considered and approved, and Mr. Liu Mingli, Madam Luo Xia (independent non-executive Director) and Mr. Zhao Zesong (independent non-executive Director) were appointed as the members of the Remuneration and Appraisal Committee, of which Mr. Zhao Zesong would serve as the chairman of Remuneration and Appraisal Committee. The term of office of members of the committee shall be in congruence with the term of the Board, and may be re-elected and re-appointed upon the expiry of the term of office.

Meanwhile, the Detailed Implementation Rules for the Remuneration and Appraisal Committee of the Board was considered and approved and the major terms of reference of the Remuneration and Appraisal Committee were specified to include: to give suggestions to the Board on the remuneration policies and structure for all Directors and management staff, and on formulation of such remuneration policies through regular and transparent procedures; to verify, supervise, review and approve the management's remuneration suggestions according to the corporate directions and goals determined by the Board; to give suggestions to the Board on the remuneration of non-executive Directors; to verify, supervise, review and approve the arrangement of compensation related to the dismissal or removal of relevant Directors due to their improper behaviors and the compensation paid to executive Directors and management staff for the bereavement or termination of post or commission, so as to ensure such compensation is in conformity with the contractual terms; if such arrangement is not in conformity with the contractual terms, the relevant compensation shall be reasonable and appropriate; to ensure that no Director nor any of his associates involves in the study and determination of his own remuneration; to examine the performance of duties by all Directors and management staff, to carry out the annual performance appraisal on them and to give suggestions; to review and monitor the training and sustainable professional development of Directors and senior management; to be responsible for supervising and reviewing the implementation of the Company's remuneration systems, etc.

III. Supervisory System

(I) Supervisory Committee

The Supervisory Committee of the Company comprises 6 Supervisors, and is the fourth session of the Supervisory Committee since establishment of the Company. The term of Supervisors commenced from 29 March 2007 or the date of election of the Supervisors.

The Supervisory Committee exercises the independent power to supervise the Company pursuant to the laws to protect Shareholders, the Company and employees from violation of their lawful interests.

The size and composition of the Supervisory Committee are in compliance with the requirements of the laws and regulations. During the Year, the Supervisory Committee convened 5 meetings in total. Save and except for the Supervisor Ouyang Huajie being unable to attend the 16th meeting of the fourth session of Supervisory Committee in person due to work engagement (Supervisor Jian Shixi was appointed as proxy to attend the meeting), all Supervisors attended each committee meeting in person, all of whom supervised, on behalf of the Shareholders, the Company's financial affairs as well as the legality and compliance of the duties performed by Directors and senior management, attended the meetings of the Board and general meetings as observers, and honestly performed the duties of Supervisory Committee. The working details of the Supervisory Committee are set out in "Report of the Supervisory Committee" in this annual report.

(II) Internal control

A comprehensive and practicable internal control system is a foundation for good corporate governance. The Board is responsible for the establishment, improvement and effective implementation of internal control for the purposes of reviewing the relevant control procedures of finance, operation and regulation so as to protect the Shareholders' interest and the Company's assets. For details, please refer to "Corporate Governance" in this section.

To more effectively review the operation and management of the Group and the effectiveness of its internal control system, the Company set up the supervision and audit department in April 2004. The scope of internal audit covers key areas such as the Company's operation, investment, corporate governance and financial management, etc. The work results of and opinions from the supervision and audit department are reported directly to the Supervisory Committee and the Audit Committee by the department manager for consideration, then the Supervisory Committee or the Audit Committee will make recommendations to the management of the Company and report to the Board in respect thereof.

During the Year, the Company had fully promoted the implementation of corporate internal control system with progressive achievements, and had established a more comprehensive internal control system based on its original internal control system. Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2011, the Board issued the 2011 Self-evaluation Report on Internal Control, elaborating on and explaining the execution of the Company's internal control system, the assessment of internal control, and the work plan on construction of internal control in 2012, etc. Shinewing Certified Public Accountants has audited the effectiveness of the relevant internal control on financial reporting of the Company and issued the auditors' report with standard unqualified opinions.

(III) Auditors

The financial statements included in the 2011 Annual Report of the Company were prepared in accordance with the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, respectively, and have been audited by Shinewing Certified Public Accountants and Ernst & Young Certified Public Accountants respectively.

The fees paid to the international and PRC auditors this Year are as follows:

Unit: RMB'000

	Audit fee for 2011	Audit fee for 2010
Ernst & Young Certified Public Accountants	**1,610**	1,480
Shinewing Certified Public Accountants	**650**	450

Note: Save for the above fees, no other fees were paid by the Company this Year.

The Company appoints its auditors at general meetings and the auditors appointed by the Company shall hold office until conclusion of the next annual general meeting. To dismiss any auditor during its term of office shall be subject to the consideration and approval at general meetings. Currently, the Audit Committee has discussed and assessed the professional qualification of Shinewing Certified Public Accountants and Ernst & Young Certified Public Accountants and the annual audit for 2011 performed by them, and raised opinions and recommendations in respect thereof. The Audit Committee's proposals to re-appoint Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants as the Company's international and PRC auditors for 2012 respectively were approved by the Board and will be presented at the 2011 AGM for consideration and approval.

(IV) Information disclosure and investor relations

Information disclosure

To disclose information in a true, accurate, timely and complete manner is not only the responsibility and obligation of listed companies, but also a channel of communication and understanding between a company and its investors and the public. On the principle of being open, just and fair, during the Reporting Period, the Company complied with the requirements under relevant laws and the Listing Rules of the SSE and the Stock Exchange and fulfilled its statutory disclosure obligations in an honest manner, so as to ensure that all Shareholders enjoy an equal and sufficient access to information and improve the transparency of the Company.

During the Reporting Period, the Company released 6 periodic reports and 47 announcements concerning A Shares and 64 announcements concerning H Shares pursuant to the Listing Rules of the SSE and Stock Exchange. Announcements concerning A Shares were published on the websites of SSE and the Company as well as in China Securities Journal and Shanghai Securities News while those concerning H Shares were published on the websites of Stock Exchange and the Company. All these announcements have been published on the website of SSE (http://www.sse.com.cn), the website of the Stock Exchange (http://www.hkex.com.hk) and/or the Company's website (http://www.cygs.com).

Investor relations

The Company's management has been attaching importance to proactive investor relations management and specifically established the Work System of Investor Relations to regulate and optimize the Company's management of investor relations.

During the Reporting Period, on the basis of strictly discharging its obligations in respect of statutory information disclosure, the Company, on one hand, through various forms of investor relations activities, conveyed information to investors which they are concerned, increased the transparency of the Company, and enhanced mutual understanding and trust, while on the other hand, in delivering information to investors, the Company listened to their advice and collected feedback from them, aiming to form an interactive and mutual beneficial relation between the Company and investors.

The Company conducts its investor relations work mainly through:

- the investor hotline and e-mail, responding to investors' inquiries in a timely manner;
- daily receptions for visits from investors and analysts;
- participating in large-scale investor presentations;
- hosting results presentations as well as domestic and overseas road shows;
- publishing information related to the Company's assets, traffic flow, toll income, information disclosure and corporate governance on the Company's website.

IV. Conclusion

Sound corporate governance goes beyond merely meeting the regulatory authorities' basic requirements for listed companies' operation. More importantly, it fulfils the Company's internal development needs. The Company is committed to continuously enhancing its corporate governance standard. As a listed company with both A Shares and H Shares, we will continue to review and improve the Company's corporate governance practice from time to time in accordance with the regulatory systems in Shanghai and Hong Kong, market trend and feedback from investors to ensure steady development of the Company and continuous increase in Shareholders' value.

The Board hereby present its report and the audited financial statements for the year ended 31 December 2011.

Principal activities

The principal activities of the Company are investment in, construction, operation and management of Chengyu Expressway and Chengya Expressway. Details of the principal activities of the subsidiaries of the Company are set out in note 15 to the financial statements. There were no significant changes in the nature of the Group's principal activities during the Year.

Particulars of the expressways managed and operated by the Group as at 31 December 2011 are as follows:

	Origin/ destination	**Approximate length**	**Date of commencement of operation of the entire toll expressway**
Chengyu Expressway	Chengdu/Shangjiapo	226km	1 July 1995
Chengya Expressway	Chengdu/Duiyan	144km	28 December 1999
Chengle Expressway	Qinglongchang/Guliba	86.44km	1 January 2000
Chengbei Exit Expressway	Qinglongchang/Baihelin	10.35km	21 December 1998

Results and dividends

The Group's profit for the year ended 31 December 2011 and the state of affairs of the Company and the Group as at that date are set out in the financial statements on pages 75 to 156 herein.

Pursuant to the resolutions passed by the Board on 23 January 2009, the Board resolved that within 3 years after the listing of the Company's A Shares, no less than 40% of profit distributable for the underlying year realized by the parent company would be paid to the Shareholders as cash dividend (this resolution was approved by the Shareholders at the 2008 annual general meeting of the Company on 15 April 2009). The Board has recommended a final cash dividend for the year 2011 of RMB0.09 per share (tax inclusive), aggregating to approximately RMB275,225,000 and representing 43% of the distributable profit for Shareholders for the Year. The proposed dividend distribution is subject to the approval of the Shareholders at the 2011 AGM. If approved, the final dividend is expected to be paid on or around 12 June 2012 (Tuesday) to the H Shares Shareholders whose names appear on the H Shares register of members of the Company on 7 June 2012 (Thursday) (i.e. the Dividend Entitlement Date), and to the A Shares Shareholders whose names appear on the A Shares register of members on a specified date within 2 months subsequent to the forthcoming 2011 AGM. In respect of the arrangement in relation to the closures of H Shares register of members for the purposes of determining the Shareholders' entitlement to attend the 2011 AGM and to receive the proposed 2011 final dividend, please refer to the paragraph headed "CLOSURES OF REGISTER OF MEMBERS OF H SHARES" below.

This proposed final dividend has been incorporated in the financial statements as an allocation of retained profits within the equity section of the statement of financial position.

According to the Law on Corporate Income Tax of the People's Republic of China and its implementing rules which has come into effect since 1 January 2008 and other relevant rules, a PRC domestic enterprise which pays dividend to a non-resident enterprise shareholder in respect of accounting period beginning from 1 January 2008 shall withhold and pay enterprise income tax at the rate of 10%. The Company, as a PRC domestic enterprise, is required to withhold corporate income tax at the rate of 10% before distributing the final dividend to non-resident enterprise Shareholders as appearing on the H Shares register of members of the Company. Any Shares registered in the name of the non-individual registered Shareholders, including HKSCC Nominees Limited, other nominees, trustees or other groups and organizations will be treated as being held by non-resident enterprise shareholders and therefore will be subject to the withholding of the corporate income tax by the Company.

Should the holders of H Shares have any doubt in relation to the aforesaid arrangements, they are recommended to consult their tax advisors for relevant tax impact in the PRC, Hong Kong and other countries (regions) on the possession and disposal of the H Shares.

Shareholders should read the information herein carefully. If anyone would like to change the identity of Shareholder, please enquire about the relevant procedures with the nominees or trustees. The Company is neither obligated nor responsible for ascertaining the identity of the Shareholders. In addition, the Company will withhold the corporate income tax in strict compliance with the relevant laws or regulations and strictly based on what has been registered on the Company's H Shares register of members as at the Dividend Entitlement Date. The Company will disregard and assume no liabilities for any requests or claims in relation to any delay or inaccuracy in ascertaining the identity of the Shareholders or any disputes over the mechanism of withholding of corporate income tax.

Shareholders are advised that the aforesaid arrangements are not applicable to the arrangements for distribution of the final dividend in respect of A Shares, which however will be published in a separate announcement at the SSE by the Company.

Summary of financial information

A summary of the published results, assets, liabilities and non-controlling interests of the Group for the last 5 financial years, as extracted from the audited financial statements, and restated/reclassified as appropriate, is set out below. This summary does not form part of the audited financial statements.

	Year ended 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
RESULTS					
PROFIT BEFORE TAX	**1,565,020**	1,366,236	986,046	701,849	646,548
Income tax expenses	**(245,978)**	(210,131)	(148,475)	(104,269)	(122,514)
PROFIT FOR THE YEAR	**1,319,042**	1,156,105	837,571	597,580	524,034
Other comprehensive income for the year, net of tax	**(12,592)**	27,970	–	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**1,306,450**	1,184,075	837,571	597,580	524,034
PROFIT ATTRIBUTABLE TO:					
Owners of the Company	**1,304,163**	1,145,274	827,475	591,660	515,408
Non-controlling interests	**14,879**	10,831	10,096	5,920	8,626
	1,319,042	1,156,105	837,571	597,580	524,034
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:					
Owners of the Company	**1,291,576**	1,173,234	827,475	591,660	515,408
Non-controlling interests	**14,874**	10,841	10,096	5,920	8,626
	1,306,450	1,184,075	837,571	597,580	524,034

Assets, liabilities and non-controlling interests

	As at 31 December				
	2011	2010	2009	2008	2007
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
TOTAL ASSETS	**16,754,726**	11,897,333	10,605,777	9,834,361	9,361,079
TOTAL LIABILITIES	**(7,247,450)**	(3,473,336)	(3,160,087)	(3,465,877)	(3,582,444)
NON-CONTROLLING INTERESTS	**(162,116)**	(104,362)	(103,573)	(103,225)	(105,036)
ATTRIBUTABLE TO OWNERS OF THE COMPANY	**9,345,160**	8,319,635	7,342,117	6,265,259	5,673,599

Property, plant and equipment

Details of movements in the property, plant and equipment of the Company and the Group during the Year are set out in note 12 to the financial statements.

Share capital

There were no movements in either the Company's authorised or issued share capital during the Year.

Pre-emptive rights

There are no provisions for pre-emptive rights under the Company's Articles of Association or the laws of the PRC which would oblige the Company to offer new Shares on a pro rata basis to the existing Shareholders.

Repurchase, redemption or sale of listed securities of the Company

Neither the Company, nor any of its subsidiaries repurchased, redeemed or sold any of the Company's listed securities during the Reporting Period.

Reserves

Details of movements in the reserves of the Company and the Group during the Year are set out in note 28 to the financial statements and in the consolidated statement of changes in equity, respectively.

Distributable reserves

According to the Articles of Association, the Company is required to distribute dividends based on the lower of the Company's profits determined under the following generally accepted accounting principles:

- the accounting principles and the relevant financial regulations applicable to joint stock companies with limited liability established in the PRC ("**PRC GAAP**"); and

- Hong Kong Financial Reporting Standards ("**HKFRSs**") (which also include Hong Kong Accounting Standards and Interpretations ("**HKASs**")) issued by the Hong Kong Institute of Certified Public Accountants, accounting principles generally accepted in Hong Kong ("**HK GAAP**") and the disclosure requirements of the Hong Kong Companies Ordinance.

At 31 December 2011, the Company's reserves available for distribution to Shareholders, calculated in accordance with HK GAAP amounted to RMB1,846,979,000. The Company's distributable reserves as at 31 December 2011 determined under HK GAAP were lower than that determined under PRC GAAP. In addition, in accordance with the Company Law of the PRC, the Company's share premium account, in the amount of RMB2,654,601,000, may be distributed in the form of fully paid bonus shares.

Major customers and suppliers

Since the Group's major customers are users of its toll expressways and high-grade toll bridges while there is normally no major purchase in relation to ordinary course of business, the five largest customers and suppliers of the Group contributed less than 30% of the Group's total operating revenue and purchases, respectively during the Year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

Directors and Supervisors

The Directors and the Supervisors of the Company during the Year were:

Executive Directors:

Mr. Tang Yong *(Chairman)*
Mr. Zhang Zhiying *(Vice Chairman)*
Mr. Liu Mingli

Non-executive Directors:

Madam Zhang Yang *(Vice Chairman)*
Mr. Gao Chun
Mr. Zhou Liming
Mr. Wang Shuanming
Madam Hu Yu

Independent non-executive Directors:

Madam Luo Xia
Mr. Feng Jian
Mr. Zhao Zesong
Mr. Xie Bangzhu

Supervisors:

Mr. Feng Bing
Mr. Hou Bin
Mr. Ouyang Huajie
Mr. Jian Shixi
Madam Yang Jingfan
Mr. Dong Zhi

The Company has received annual confirmations of independence from independent non-executive Directors Madam Luo Xia, Mr. Feng Jian, Mr. Zhao Zesong and Mr. Xie Bangzhu and at the date of this report, the above independent non-executive Directors are still considered to be independent.

Directors', Supervisors' and senior management's biographies

Biographical details of the Directors and the Supervisors of the Company and the senior management of the Group are set out under the section of "Profile of Directors, Supervisors, Senior Management and Employees" in this annual report.

Directors' service contracts

Each of the Directors has entered into a service contract with the Company from their respective date of appointment for a term of 3 years.

None of the Directors has entered into any service contract with the Company which is not determinable by the Company within 1 year without payment of compensation, other than statutory compensation.

Directors' and Supervisors' remunerations

The Directors' and Supervisors' remunerations are determined by the Board with reference to the pay scale applicable to listed state-owned companies in Mainland China.

Directors' and Supervisors' interests in major contracts

None of the Directors and Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding companies, or any of its subsidiaries or fellow subsidiaries was a party during the Year.

Directors', Supervisors' and chief executives' interests in shares and underlying shares

As at 31 December 2011, none of the Directors, Supervisors and chief executives of Company had registered an interest in the shares and underlying shares of the Company or any of its associated corporations required to be registered pursuant to Section 352 of the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) (the "**SFO**"), or otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders' and other persons' interests or short positions in Shares and underlying Shares

As at 31 December 2011, the following interests of the substantial shareholders and other persons in the Shares and underlying Shares of the Company were recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Name	Type of Shares	Long position/ Short position		Number of the Company's Shares held	Approximate percentage in total Share capital of the Company	Approximate percentage in A/H Shares	Capacity
STI Group	A Shares	Long position		975,060,078	31.88%	45.08%	Beneficial owner
Huajian Company	A Shares	Long position		637,679,922	20.85%	29.48%	Beneficial owner
JPMorgan Chase & Co. *(Note)*	H Shares	Long position		2,000	0.00%	0.00%	Beneficial owner
		Long position		3,922,000	0.13%	0.44%	Investment manager
		Long position		61,986,000	2.03%	6.92%	Custodian corporation/ approved lending agent
			Total	65,910,000	2.16%	7.36%	
		Short position		2,000	0.00%	0.00%	Beneficial owner
Matthews International Capital Management, LLC	H Shares	Long position		62,846,000	2.06%	7.01%	Investment manager
Investec Asset Management Limited	H Shares	Long position		44,766,000	1.46%	5.00%	Investment manager

Note: JPMorgan Chase & Co. ("**JPM Chase**") holds the entire issued share capital of each of JPMorgan Chase Bank, N.A. ("**JPM Bank**") and JPMorgan Asset Management Holdings Inc. ("**JPM Asset**"). JPM Bank directly holds 61,986,000 H Shares (long position) of the Company which are Shares in a lending pool, and indirectly holds 2,000 H Shares (long position) and 2,000 H Shares (short position) of the Company. JPM Asset indirectly holds 3,922,000 H Shares (long position) of the Company. Pursuant to the SFO, JPM Chase is deemed to be interested in the same Shares of the Company as interested by JPM Bank and JPM Asset, being 65,910,000 H Shares (long position) and 2,000 H Shares (short position).

Save as disclosed above, as at 31 December 2011, no person had registered an interest or short position in the Shares or underlying Shares of the Company that was required to be recorded pursuant to Section 336 of the SFO.

Directors' and Supervisors' interests in competing businesses

During the Year and as at the date of this report, none of the Directors or Supervisors had any interests in a business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, as defined in the Listing Rules.

Connected transactions and continuing connected transactions

During the Year, the Company and the Group had the following continuing connected transactions:

Continuing connected transactions

(a) On 1 February 2004, Chengle Company entered into a 5-year tenancy agreement (the "**First Tenancy Agreement**") with Sichuan Highway Development, whereby Sichuan Highway Development leased out a certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy was extended for another 5 years when the First Tenancy Agreement expired on 31 January 2009 and the annual rental was reset to be RMB1,138,000. During the Year, the rental paid by the Group to Sichuan Highway Development amounted to RMB1,138,000 (2010: RMB1,138,000).

(b) On 1 October 2010, the Company entered into a 1-year tenancy agreement with STI Group whereby the Company leased out a certain part of its office buildings to STI Group at an annual rental of RMB2,035,000. The tenancy agreement was extended at the same annual rental for another 1 year when it expired on 1 October 2011. During the Year, the rental received from STI Group amounted to RMB2,035,000 (31 December 2010: Nil).

(c) On 24 December 2010, the Company and Sichuan Zhineng Transportation System Management Company Limited (四川智能交通系統管理有限責任公司, "**Zhineng Company**"), a subsidiary of Sichuan Highway Development, entered into a service agreement, in relation to provision of a computer system on expressways network toll fee collection and technological services to the expressways of the Company, with a service charge of 0.4% of toll income for a term of 3 years from 1 January 2011 to 31 December 2013. During the Year, the Group paid a total of approximately RMB9,623,000 (2010: approximately RMB9,322,000) to Zhineng Company as service fee.

Further details of the Group's connected transactions during the Year are included in note 32 to the financial statements.

The independent non-executive Directors of the Company have reviewed the continuing connected transactions set out above and have confirmed that these transactions were entered into:

(a) in the ordinary and usual course of businesses of the Group;

(b) on normal commercial terms or on terms no less favourable to the Group than terms available from independent third parties; and

(c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole.

Sufficiency of public float

Based on information that is publicly available to the Company and within the knowledge of the Directors, at least 25% of the Company's total issued share capital was held by the public as at the date of this report.

Events after the Reporting Period

Details of significant events after the Reporting Period of the Group are set out in note 35 to the financial statements.

Auditors

Shinewing Certified Public Accountants and Ernst & Young Certified Public Accountants will retire and resolutions for their re-appointments as PRC and international auditors of the Company respectively will be proposed at the forthcoming 2011 AGM.

Closures of register of members of H Shares

For the purposes of determining the Shareholders' entitlement to attend the 2011 AGM and to receive the proposed 2011 final dividend, the H Shares register of members of the Company will be closed during the following periods:

– **In respect of attending and voting at the 2011 AGM**

Deadline for lodging transfer documents	4:30 p.m. on 27 April 2012 (Friday)
Closure period of the H Shares register of members	From 28 April 2012 (Saturday) to 29 May 2012 (Tuesday) (both days inclusive)
Record date	29 May 2012 (Tuesday)
Date of the 2011 AGM	29 May 2012 (Tuesday)

– **In respect of the entitlement to 2011 final dividend**

Deadline for lodging transfer documents	4:30 p.m. on 1 June 2012 (Friday)
Closure period of the H Shares register of members	From 2 June 2012 (Saturday) to 7 June 2012 (Thursday)
Dividend Entitlement Date	7 June 2012 (Thursday)

In order to be entitled to attend and vote at the 2011 AGM, and to receive the 2011 final dividend of the Company, H Shares Shareholders should ensure that all transfer documents, accompanied by the relevant share certificates are lodged with the Company's H Shares Registrar, Hong Kong Registrars Limited, at Rooms 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, before the deadlines above designated for lodging transfer documents.

Shareholders are advised that the Company will make separate announcements on the SSE in respect of details of the arrangements regarding the distribution of 2011 final dividend to A Shares Shareholders and the details of A Shares Shareholders' eligibility for attending the 2011 AGM.

On behalf of the Board

Tang Yong
Chairman

Chengdu, Sichuan, the PRC
28 March 2012

I. Basic Information of Directors, Supervisors, Senior Management and Employees

Name	Gender	Age	Length of services with the Company	Position	Total remuneration received from the Company for the Year *(RMB0'000) (before tax)*
Tang Yong	Male	47	From March 2007 to present	Chairman	42.98
Zhang Zhiying	Male	49	From February 2003 to present	Vice Chairman	40.12
Zhang Yang	Female	48	From May 2001 to present	Vice Chairman	13.00
Gao Chun	Male	55	From June 2005 to present	Director	13.00
Zhou Liming	Male	48	From September 2002 to present	Director	13.00
Wang Shuanming	Male	52	From March 2007 to present	Director	13.00
Liu Mingli	Male	48	From August 1997 to present	Director, Deputy General Manager	34.38
Hu Yu	Female	36	From October 2009 to present	Director	13.00
Luo Xia	Female	49	From November 2004 to present	Independent non-executive Director	6.00
Feng Jian	Male	49	From November 2004 to present	Independent non-executive Director	6.00
Zhao Zesong	Male	57	From March 2007 to present	Independent non-executive Director	6.00
Xie Bangzhu	Male	72	From December 2007 to present	Independent non-executive Director	6.00
Feng Bing	Male	49	From June 2005 to present	Chairman of Supervisory Committee	42.98
Hou Bin	Male	54	From October 2000 to present	Supervisor	0
Ouyang Huajie	Male	43	From March 2007 to present	Supervisor	0
Jian Shixi	Male	55	From August 1997 to present	Supervisor, Chairman of Labour Union	34.38
Yang Jingfan	Female	50	From March 2007 to present	Supervisor	27.97
Dong Zhi	Male	31	From October 2009 to present	Supervisor	0
Gan Yongyi	Male	48	From March 2001 to present	Deputy General Manager	34.38
Luo Maoquan	Male	46	From December 2006 to present	Deputy General Manager	34.38
Lin Binhai	Male	52	From August 2002 to present	Deputy Party Secretary, Secretary to Discipline Committee	34.38
Liu Junjie	Male	47	From February 2009 to present	Deputy General Manager	34.38
Zhang Yongnian	Male	49	From August 1997 to present	Secretary to the Board	34.38
Li Guogang	Male	62	From August 2004 to present	Financial Controller	34.38

During the Reporting Period, none of the Directors, Supervisors and senior management held or dealt in the securities of the Company.

II. Biographies of Directors, Supervisors and Senior Management

(I) As at the date hereof, biographies of existing Directors are as follows:

Mr. Tang Yong: aged 47, graduated from Sichuan Transportation School and Highway College of Chang'an University with a master's degree in engineering. He is a professorlevel senior engineer. He was a technician, assistant engineer, deputy section head, and section head of Road Maintenance Section of Dazhu County, Sichuan, deputy director of the Communications Department of Dazhu County, deputy director of the Communications Department of Dachuan District, Sichuan, director and general manager of Sichuan Road & Bridge Co., Ltd., general manager of Sichuan Dayu Expressway Construction Development Co., Ltd., head of the Construction Management Division of the Sichuan Provincial Department of Communications ("**SPDC**"), head of Comprehensive Planning Division of Sichuan Province. Currently he is a director of STI Group and the Chairman of the Company.

Mr. Zhang Zhiying: aged 49, graduated from the Faculty of Accounting of Shanxi Financial and Economic Institute with a bachelor degree. And he holds the title of senior accountant. He was an accountant of the Finance Section of the Road Administration Bureau of the SPDC, deputy head of the Finance Division of Sichuan Major Highway Construction Directorate, head of the Finance Division of the Expressway Administration Bureau of the SPDC, deputy head and head of Finance Division of the SPDC and the Financial Controller of the Company. From December 2002 to August 2011, he was the General Manger of the Company. Currently he is the Deputy General Manager of STI Group and the Vice Chairman of the Company.

Madam Zhang Yang: aged 48, graduated from Lanzhou University with a bachelor degree in economics and is a postgraduate of economic management of Central Communist Party School. She once worked with the Ministry of Space Industry as a staff member, senior staff member and principal staff member. She was a director of Xiamen Port Development Company Limited (a company listed on the Shenzhen Stock Exchange) and a director of Zhejiang Expressway Company Limited (a company listed on the Hong Kong Stock Exchange). She has been serving as project manager, deputy department manager, department manager and assistant to the general manager of Huajian Transportation Economic Development Centre (currently known as China Merchants Huajian Highway Investment Co., Ltd.) since 1994. She is currently the deputy general manager of China Merchants Huajian Highway Investment Co., Ltd., a director of Shenzhen Expressway Company Limited (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange), Henan Zhongyuan Expressway Company Limited (a company listed on the Shanghai Stock Exchange)and Jiangsu Expressway Co., Ltd. (a company listed on the Hong Kong Stock Exchange and the Shanghai Stock Exchange) as well as the vice chairman of Jilin Expressway Company Limited (a company listed on the Shanghai Stock Exchange) and the Company.

Mr. Gao Chun: aged 55, holds an MBA degree of Macao University of Science and Technology. He is a senior economist. He was the deputy head of the Teaching Department of Sichuan Transportation School, deputy head of the Human Resources Division of the SPDC, Deputy Party Secretary of the central district of Deyang City, Deputy Party Secretary of the Direct Body under the SPDC, Party Secretary of Highway Planning Survey and Design Research Institute of SPDC and Party Secretary of Sichuan Vocational and Technical College of Communications. He is currently a director and general manager of SCI Group, the chairman of Sichuan Highway Development and a director of the Company.

Mr. Zhou Liming: aged 48, graduated from Southwest Jiaotong University and obtained a bachelor degree in engineering from Southwest Jiaotong University and a master degree in economics from Sichuan University. He was a tutor at Southwest Jiaotong University, head of Research Department of the Sichuan Provincial People's Government, secretary of the Department of General Office of Sichuan Provincial People's Government, deputy director of Road Administration Bureau of SPDC, assistant to the Mayor of the Neijiang Municipal People's Government in Sichuan Province, Chairman of the Company and the General Manager of Sichuan Highway Development. He is currently the deputy general manager of STI Group and a director of the Company.

Mr. Wang Shuanming: aged 52, graduated from Dongbei University of Finance and Economics and Military Economics Academy with a master's degree, holds the title of senior accountant. He was an assistant in the Finance Division of the Logistics Department of Chengdu Military Area, assistant accountant in the Second Military Warehouse of Chengdu Military Area, assistant accountant and accountant in the 38th Division of the Logistics Department of Chengdu Military Area, assistant researcher and deputy head of the Finance Division of SPDC, chief of the Management on Vehicle Purchase Surcharges Collection in Sichuan Province, and director and deputy general manager of Sichuan Highway Development. He is currently the Chief Economist of STI Group, a director of Sichuan Highway Development and a director of the Company.

Mr. Liu Mingli: aged 48, graduated from the Research School of Sichuan University majoring in economics. He was formerly the deputy division chief-level Secretary of the Department of General Office of Sichuan Provincial People's Government, the assistant to director and deputy director of Expressway Administration Bureau of the SPDC. Currently, he is a director and the deputy general manager of the Company.

Madam Hu Yu: aged 36, graduated from University of Tongji with a major in Accounting and obtained a bachelor degree in Economics. She was the accountant of Beijing City Development Group Company Limited, and finance manager of Shanghai Mitsubishi Elevator Co., Ltd. (Beijing office). She served as the manager of the finance department of China Merchants Group Limited, the deputy manager of the finance department of Huajian Transportation Economic Development Centre (currently known as China Merchants Huajian Highway Investment Co., Ltd.), and a supervisor of Huabei Expressway Co., Ltd. (a company listed on the Shenzhen Stock Exchange). She currently serves as the general manager of the finance department of China Merchants Huajian Highway Investment Co., Ltd., a supervisor of Guangxi Wuzhou Communications Co., Ltd. (a company listed on the Shanghai Stock Exchange), a supervisor of Jiangsu Expressway Company Limited (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) and a director of the Company.

Madam Luo Xia: aged 49, graduated from Chongqing Construction and Engineering College with a bachelor degree majoring in road engineering. She also graduated from Southwest Jiaotong University with a master degree in traffic and transportation engineering and a doctorate degree in transportation means. Currently, she is a council member of the Sichuan Provincial Road Association, the deputy chairperson of the Chengdu Municipal Road Association and a member of the expert panel of "Straightway Project" under the Ministry of Public Security and the Ministry of Construction. She is a professor of Southwest Jiaotong University, a tutor to doctorate candidates, vice president of College of Traffic, Transportation and Logistics, the chief of Research Institute of Traffic Engineering and an independent director of the Company.

Mr. Feng Jian: aged 49, graduated from Southwest Finance University with a bachelor degree in accounting and a doctorate in finance. Mr. Feng holds the qualification of the PRC Certified Public Accountant. He had served as an independent director of Chengdu Westone Information Industry Co., Ltd., the shares of which are listed on the Shenzhen Stock Exchange, and Yunnan Malong Industry Group Co., Ltd. (雲南馬龍產業股份有限公司) He is currently a professor and tutor to doctorate candidates in Southwest Finance University, the Chief Secretary of China Finance Association and an independent director of Sichuan Dikang Sci & Tech Pharmaceutical Industry Co., LTD., the shares of which are listed on the Shanghai Stock Exchange, and Chengdu B-Ray Media Co., Ltd. (成都博瑞傳播股份有限公司) and an independent director of the Company.

Mr. Zhao Zesong: aged 57, graduated from Beijing Institute of Business and Southwest Finance University with a master's degree in accounting. He holds the qualification of the PRC Certified Public Accountant. He is the standing director and deputy head of Sichuan Accounting Association, the expert for supervising certified accountants of Sichuan. He was a member and deputy director of the Review Committee for Senior Accountants and Senior Economists, an independent director of Chengdu Hi-Tech Development Co., Ltd. (formerly known as Chengdu Brilliant Development Group, Inc.) (a company listed on the Shenzhen Stock Exchange). Currently he is a director, professor and a master tutor of the Accounting Department of Chengdu University of Technology, an independent director of Sichuan Road & Bridge Co., Ltd, the shares of which are listed on the Shanghai Stock Exchange and Chengdu Tianxing Instrument and Meter Co, the shares of which are listed on the Shenzhen Stock Exchange, and an independent director of the Company.

Mr. Xie Bangzhu, aged 72, graduated from Chongqing Jiaotong College majoring in roads and bridge construction and Huadong Institute of Hydraulic majoring in hydraulic and port engineering, and obtained a college diploma and college diploma (correspondence) respectively. He had worked at Sichuan Institute of Road Design as a technician, engineer, deputy chief engineer to the head office, senior engineer and chief engineer of the design institute. Being a national standard engineer, he is currently a senior technical project consultant of Sichuan Institute of Road Design, chief engineer consultant of Sichuan Chuanjiao Highway Consultancy Company and an independent director of the Company.

(II) As at the date hereof, biographies of existing Supervisors are as follows:

Mr. Feng Bing: aged 49, graduated from Xi'an Road College and obtained a bachelor degree majoring in automatic control in traffic engineering and from Changan University majoring in traffic and transportation planning and management with a master degree. He had been the Party Secretary of the direct body under the SPDC, senior staff member and principal staff member of the Planning Division of the SPDC, and deputy head, investigator and head of the Overall Planning Division of the SPDC. He is currently the Chairman of the Supervisory Committee of the Company and the independent non-executive director of Jilin Expressway Company Limited (a company listed on the Shanghai Stock Exchange).

Mr. Hou Bin: aged 54, graduated from Chengdu Telecommunications Engineering College, and is a senior economist. He was the deputy chief officer of the Publicity and Education Division of Sichuan Automobile Transportation Company Chengdu Branch, the principal staff member of the Publicity Division of the Political Department of the SPDC, deputy division chief-level theory tutor of the party committee of the direct body under the SPDC, the leader of the liaison team for designated help for Muchuan County of the SPDC, the deputy head of Muchuan County People's Government, the office chief of Sichuan Shuhai Communications Investment Company Limited and the office chief, chairman of labour union, deputy general manager, chief of the preparation team of the party committee of Sichuan Highway Development, as well as the chairman of Sichuan Gaolu Communications Information Engineering Co., Ltd. and Sichuan Gonggashan Modern Glacier (Group) Co., Ltd., and the general manager of Chuanxi High-level Highway Development Co., Ltd. He is currently the deputy Party secretary of Sichuan Highway Development and a supervisor of the Company.

Mr. Ouyang Huajie: aged 43, graduated from Southwest Finance University with a bachelor's degree in accounting, and Sichuan University with a master's degree in economics, and is a senior accountant. He was the assistant accountant of the stated owned Hongguang Electronic Tube Factory, chief accountant of Sichuan Tongya Industries Development Company, deputy manager of the Fund and Finance Division of Sichuan Highway Development. He is currently the chief economist of Sichuan Highway Development and a supervisor of the Company.

Mr. Jian Shixi: aged 55, graduated from Sichuan Provincial Party School majoring in economics and administration and is a senior economist. From 1986, he had been a principal staff member of the Policy Research Office of SPDC, deputy chief of Sichuan Major Highway Construction Directorate, office chief of the Expressway Administration Bureau of the SPDC. He is currently the chairman of Labour Union and a supervisor of the Company.

Madam Yang Jingfan: aged 50, graduated from Business School of Sichuan University with an MBA degree. She is in immediate rank for political work. From 1991, she had been the deputy office chief of the Management Division of Sichuan Dajian Road, senior staff member of Sichuan Major Highway Construction Directorate, head of the Human Resources Division of the Expressway Administration Bureau of the SPDC, and manager of the human resource department of the Company. She is currently a supervisor and the manager of Supervision and Auditing Department of the Company.

Mr. Dong Zhi: aged 31, graduated from Capital University of Economics and Business with a major in Economics, and has obtained a master degree in Economics. Mr. Dong worked in the Beijing construction department of China Road and Bridge Corporation International Company Limited. He once served as a supervisor of Northeast Expressway Company Limited (a company listed on the Shanghai Stock Exchange). Currently, he holds post in the department of shares management of China Merchants Huajian Highway Investment Co., Ltd (formally known as Huajian Transportation Economic Development Centre). and serves concurrently as a supervisor of Anhui Expressway Company Limited (a company listed on The Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange) and a supervisor of Jilin Expressway Company Limited (a company listed on the Shanghai Stock Exchange) and a supervisor of the Company.

(III) Biographies of other senior management are as follows:

Mr. Liu Mingli, please refer to the biographies of Directors.

Mr. Gan Yongyi: aged 48, graduated from Chongqing Jiaotong College with a bachelor degree majoring in civil engineering of road and bridge transportation. He is a senior engineer. He once worded in Division I and Division VI of Sichuan Bridge Engineering Company Limited（四川省橋樑工程公司）as deputy chief, chief of Division VI as well as the deputy manager of Sichuan Bridge Engineering Company Limited. He also served as manager of the Bridge Branch of Sichuan Road and Bridge Group（四川路橋集團橋樑分公司）and deputy general manager of Sichuan Road and Bridge Company Limited. Currently, he is the Deputy General Manager of the Company.

Mr. Luo Maoquan: aged 46, graduated from the Faculty of Law of Sichuan University. He was an officer of the Policy Research Office of the SPDC, deputy office chief, chief, head of the human resources division, member of the sub-group of party committee, deputy director, secretary of the sub-group of party committee, commander of the Chengmian (le) Expressway Construction Directorate. He is currently the deputy general manager of the Company.

Mr. Lin Binhai: aged 52, graduated from the Research Centre of Renmin University of China with an MBA degree and obtained an MBA degree from Burlington Commerce College by distance education. He holds the title of a senior political worker (高級政工師). He was a political commissar and party secretary of an arsenal factory of the People's Liberation Army. He is currently the deputy party secretary and the secretary to the Discipline Committee of the Company.

Mr. Liu Junjie: aged 47, graduated from Sichuan Suining Normal School, Northern Sichuan Education College (majoring in Biology) and the Department of Industrial Economics of Graduate School of Chinese Academy of Social Science, holds a master's degree. He had served as the deputy chief of the general section of the Committee Office of Ganzi Prefecture, deputy secretary, principal staff member and deputy director of the Committee Office of Aba Prefecture, director of the inspection division of the Committee of Aba Prefecture, deputy mayor of Xiangtang County, deputy secretary of the County Committee of Lixang County, deputy head of the Bureau of Water Resources of Aba Prefecture and deputy director of the Safety Supervision and Management Office of the SPDC. He is currently the deputy general manager of the Company.

Mr. Zhang Yongnian: aged 49, graduated from the Faculty of Law of Sichuan University. He served as judicial officer of the People's Court of Emeishan City, Sichuan Province, deputy chief of the Criminal Judicial Tribunal, deputy chief of the former Chengyu Expressway's Long Quan Management Office, deputy head of Road Section of Chengyu Expressway Management Office, deputy head of the Policy and Regulation Division of the Expressway Administration Bureau of the SPDC, the office chief of the board of directors of the Company, and a director of the Company. He is currently the Secretary to the board of the Company.

Mr. Li Guogang: aged 62, passed the self-study examination of higher education in 1989 with a major in accounting and is a senior accountant and senior consultant. He had been the chief officer of Accounting Division of Traffic Bureau of Ganzi Autonomous Prefecture, Sichuan Province, deputy chief and chief of Financial Division of the Expressway Administration Bureau of the SPDC and the manager of Financial Department of the Company. He is currently the Chief Financial Officer of the Company.

III. Changes of Directors, Supervisors and Senior Management during the Reporting Period

In August 2011, Mr. Zhang Zhiying resigned as the general manager of the Company due to job re-allocation. Except for the above mentioned, during the Reporting Period, there were no changes in the compositions of the Directors, Supervisors and other senior management of the Company.

IV. Employees

As at 31 December 2011, the Group had 3,436 employees. The Company (including its branches) had 2,235 employees. Information of employees of the Company (including its branches) is set out below:

Composition by Expertise

Type	Number
Management (including professional technicians)	461
Technicians	1,774

Educational Level

Type	Number
Postgraduate	41
University graduate	362
Junior college graduate	923
Technical secondary school and below	909

1. Employees' Remuneration

The total remuneration of the employees is co-related with the operating results of the Company. The wages of the Company's employees are comprised of fixed wages (including basic salary, and salaries determined by the position and period of service) and performance incentive bonus. Employees' salary is determined with reference to their positions (i.e. the salary changes in accordance with the position of service) and performance. For the year ended 31 December 2011, the Group's gross payroll amounted to approximately RMB207,110,000, of which approximately RMB138,010,000 was incurred by the Company (including its branches).

2. Employees' Insurance and Welfare

The Company cherishes employees and protects their lawful interests. The Company has improved various types of social insurance for employees in strict compliance with all applicable PRC labour security policies. Expenses for various types of social insurances for retirement, healthcare, unemployment, work related injury, childbirth, catastrophic illness and accident have been paid in full by the Company for the employees. Meanwhile, the Company has made contributions to the housing accumulation fund and enterprise annuity fund for the employees in compliance with the requirements under applicable laws and policies.

3. Staff Training

The Company highly values staff training and provides trainings of various aspects and types to improve the comprehensive quality and business standard. During the Reporting Period, the Company has organised various centralized and specific trainings such as job-specific skills for technicians and continuing education for professional technical staff. A total of 2,841 employees of the Company (including its branches) attended the above training courses.

During the Reporting Period, all members of the Supervisory Committee have strictly complied with the requirements of the Company Law of the People's Republic of China, the Listing Rules of the SSE and the Stock Exchange, the Articles of Association and the Rules of Procedure of the Supervisory Committee. Based on the principle of good faith, they performed their duties prudently and actively with an aim to safeguard the interest of the Shareholders, the Company and the employees.

I. Work of the Supervisory Committee

During the Year, the fourth session of the Supervisory Committee held 5 meetings in total. The notices, convening, holding and resolutions of the meetings were in compliance with the requirements of the relevant laws and regulations and the Articles of Association. Details of the meetings are as follows:

Meeting of the Supervisory Committee	Meeting Date	Topics
The 14th Meeting	22 March 2011	1. Considering and approving the proposals in respect of the Company's 2010 Work Report of the Supervisory Committee; 2. Examining and approving the Scheme of Profit Distribution and Dividend Payment for 2010; 3. Examining and approving the 2010 Implementation Report of Financial Budget of the Company; 4. Examining and approving the 2010 domestic and overseas annual reports and their summaries, etc.; 5. Examining and approving the 2011 Annual Financial Budget of the Company; 6. Examining and approving the re-appointment of Ernst & Young Certified public Accountants and Shinewing Certified Public Accountants as the international and PRC auditors of the Company respectively for the year 2011; 7. Examining and approving the Self-assessment Report of Corporate Internal Control of the Company; 8. Examining and approving the 2010 Social Responsibility Report of the Company; 9. Examining and approving the 2010 Special Report of Deposit and Actual Use of Raised funds.
The 15th Meeting	28 April 2011	1. Examining and approving the 2011 First Quarterly Report.
The 16th Meeting	30 August 2011	1. Examining and approving the unaudited financial statements for the 6 months ended 30 June 2011, the 2011 interim report and its summaries, etc.; 2. Examining and approving the proposal in relation to not distributing any interim dividend and not transferring capital reserve into share capital; 3. Examining and approving the Special Report of Deposit and Actual Use of Raised funds for the half year of 2011; 4. Examining and approving writting-off of fixed assets of Ziyang and Neijiang Service Zones of Chengyu Expressway.
The 17th Meeting	28 October 2011	1. Examining and approving the proposal in relation to the 2011 Third Quarterly Report.
The 18th Meeting	21 November 2011	1. Examining and approving the proposal in relation to investment in Suiguang Suixi Expressways BOT Project and relevant matters.

II. Independent opinions from the Supervisory Committee on compliance of the Company's operations with legal requirements

During the Reporting Period, the supervisors of the Company attended all general meetings and Board meetings as observers and cautiously supervised and checked the convening procedures of the meetings, resolutions and execution of the written resolutions of aforesaid meetings, and effectively supervised the whole process of the Directors and senior management members' operation and management and the implementation of the Company's decisions.

The Supervisory Committee is of the opinion that the Company conducted its operations and made decisions strictly in accordance with relevant rules and regulations, continuously improved its internal control system and further enhanced its corporate governance. The Directors and senior management of the Company are able to perform their own duties and execute the resolutions and authorizations of the general meetings in compliance with relevant laws and regulations and with the attitude of fidelity and due diligence and from the perspective of safeguarding the interests of the Company and Shareholders as a whole, with no breach of laws and regulations, or conducts of misusing authority or damaging the interests of the Company, its Shareholders and employees.

III. Independent opinions from the Supervisory Committee on the Company's financial position

Having cautiously reviewed the Company's 2011 First Quarterly Results Report, Interim Results Report, Third Quarterly Results Reports, Annual Results Report and other accounting information, etc, the Supervisory Committee is of the opinion that the Company's financial income and expenditure accounts are clear and the accounting, auditing and financial management are all in line with relevant regulations without doubts. The Company's PRC and international auditors, Shinewing Certified Public Accountants and Ernst & Young Certified Public Accountants have respectively audited the 2011 Annual Financial Reports of the Company under the PRC Accounting Standards for Business Enterprises and Hong Kong Financial Reporting Standards, and have issued audit reports with standard unqualified opinions. The Supervisory Committee is of the view that the audit reports have reflected the actual situations of the Company's financial income and expenditure, operation results and cash flow.

IV. Independent opinions from the Supervisory Committee on the Board's Self-assessment Report on Internal Control

In order to implement the "Basic Rules for Internal Control of Enterprises" jointly issued by the Ministry of Finance, the CSRC, the National Audit Office, the China Banking Regulatory Commission and the China Insurance Regulatory Commission and the Implementary Guideline for Enterprise Internal Control, the Company practically launched the construction of enterprise internal control system, and progressed smoothly and obtained progressive achievements this Year. Through making self-assessment of the design and implementation effectiveness of the Company's internal control as at 31 December 2011, the Board had issued the 2011 Self-assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2011 Self-assessment Report on Internal Control issued by the Board, and considered that the report comprehensively and objectively reflected the establishment and operation of the Company's internal control system. The Company has established a relatively comprehensive internal control system and is continuously optimizing and enhancing it, and has kept the standard operation of the Company under good supervision and guidance.

V. Independent opinions from the Supervisory Committee on acquisition and sale of assets by the Company

During the Reporting Period, the Company did not have any acquisition or sale of assets.

VI. Independent opinions from the Supervisory Committee on the Company's connected transactions

Saved as the connected transactions disclosed in note 32 to the financial statements, the Company had no other connected transactions during the Reporting Period. In the opinion of the Supervisory Committee, the Company's connected transactions during the Reporting Period were conducted on a just, fair and open basis and at reasonable considerations, and no circumstances were discovered in which insider transactions were involved or the Board breached the principle of good faith in decision-making, execution of agreements or information disclosure, etc.

The Supervisory Committee will continue to abide by its prudent and diligent practice, conscientiously implement the duties of the Supervisory Committee and protect the legal interests of Shareholders.

By Order of the Supervisory Committee

Feng Bing
Chairman of the Supervisory Committee

Chengdu, Sichuan, the PRC
28 March 2011

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To the shareholders of
SICHUAN EXPRESSWAY COMPANY LIMITED
(Established in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Sichuan Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 75 to 156, which comprise the consolidated and company statements of financial position as at 31 December 2011, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

Directors' responsibility for the consolidated financial statements

The directors of the Company are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

We conducted our audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2011, and of the Group's profit and cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards and have been properly prepared in accordance with the disclosure requirements of the Hong Kong Companies Ordinance.

Ernst & Young
Certified Public Accountants

Hong Kong
28 March 2012

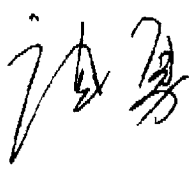
	Notes	2011 RMB'000	2010 RMB'000
REVENUE	4,5	**6,236,966**	4,305,422
Cost of sales and other direct operating costs		**(4,507,964)**	(2,819,693)
Gross profit		**1,729,002**	1,485,729
Other income and gains	5	**92,996**	51,062
Administrative expenses		**(108,442)**	(63,877)
Other expenses		**(28,884)**	(24,436)
Finance costs	7	**(130,076)**	(94,952)
Share of profits and losses of associates		**10,424**	12,710
PROFIT BEFORE TAX	6	**1,565,020**	1,366,236
Income tax expense	9	**(245,978)**	(210,131)
PROFIT FOR THE YEAR		**1,319,042**	1,156,105
OTHER COMPREHENSIVE INCOME			
Changes in fair value of available-for-sale assets		**(18,414)**	37,293
Income tax effect		**5,822**	(9,323)
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		**(12,592)**	27,970
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**1,306,450**	1,184,075
Profit attributable to:			
Owners of the Company	10	**1,304,163**	1,145,274
Non-controlling interests		**14,879**	10,831
		1,319,042	1,156,105
Total comprehensive income attributable to:			
Owners of the Company		**1,291,576**	1,173,234
Non-controlling interests		**14,874**	10,841
		1,306,450	1,184,075
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
— Basic and diluted	11	**RMB0.426**	RMB0.375

Details of the dividends payable and proposed for the year are disclosed in note 29 to the financial statements.

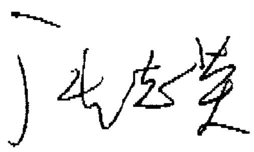
CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2011** **RMB'000**	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**611,927**	522,304
Service concession arrangements	13	**11,205,184**	8,789,880
Prepaid land lease payments	14	**507,502**	539,690
Investments in associates	16	**64,790**	66,077
Available-for-sale investments	17	**67,403**	85,817
Long term compensation receivables	18	**68,932**	71,921
Other receivables	23	**72,000**	—
Payments in advance	19	**484,987**	415,087
Total non-current assets		**13,082,725**	10,490,776
CURRENT ASSETS			
Inventories	21	**26,950**	11,907
Due from a customer for contract work	22	**938,099**	—
Trade and other receivables	23	**918,012**	110,931
Pledged deposits	24	**20,522**	10,000
Cash and cash equivalents	24	**1,768,418**	1,273,719
Total current assets		**3,672,001**	1,406,557
CURRENT LIABILITIES			
Tax payable		**196,106**	119,811
Trade and other payables	25	**1,823,220**	661,923
Interest-bearing bank and other loans	26	**2,099,727**	1,297,727
Total current liabilities		**4,119,053**	2,079,461
NET CURRENT LIABILITIES	2.4	**(447,052)**	(672,904)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,635,673**	9,817,872

	Notes	**2011 RMB'000**	2010 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	26	**3,120,744**	1,377,419
Deferred tax liabilities	20	**7,653**	16,456
Total non-current liabilities		**3,128,397**	1,393,875
Net assets		**9,507,276**	8,423,997
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	**3,058,060**	3,058,060
Reserves	28	**6,011,875**	4,995,524
Proposed final dividend	29	**275,225**	266,051
		9,345,160	8,319,635
Non-controlling interests		**162,116**	104,362
Total equity		**9,507,276**	8,423,997



Director



Director

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 27)	Share premium account RMB'000	Statutory surplus reserve RMB'000 (note 28(a))	General surplus reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Available-for-sale investment revaluation reserve RMB'000	Merger difference RMB'000 (note 28)	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2010	3,058,060	2,654,601	716,881	586,149	(248,470)	–	(533,123)	912,303	195,716	7,342,117	103,573	7,445,690
Profit for the year	–	–	–	–	–	–	–	1,145,274	–	1,145,274	10,831	1,156,105
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	27,960	–	–	–	27,960	10	27,970
Total comprehensive income for the year	–	–	–	–	–	27,960	–	1,145,274	–	1,173,234	10,841	1,184,075
Transfer from/(to) reserves	–	–	117,911	189,361	–	–	–	(307,272)	–	–	–	–
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(10,052)	(10,052)
Final 2009 dividend declared	–	–	–	–	–	–	–	–	(195,716)	(195,716)	–	(195,716)
Proposed final 2010 dividend *(note 29)*	–	–	–	–	–	–	–	(266,051)	266,051	–	–	–
At 31 December 2010	3,058,060	2,654,601*	834,792*	775,510*	(248,470)*	27,960*	(533,123)*	1,484,254*	266,051	8,319,635	104,362	8,423,997

	Attributable to owners of the Company											
	Issued capital RMB'000 (note 27)	Share premium account RMB'000	Statutory surplus reserve RMB'000 (note 28(a))	General surplus reserve RMB'000	Difference arising from acquisition of non-controlling interests RMB'000	Available-for-sale investment revaluation reserve RMB'000	Merger difference RMB'000 (note 28)	Retained profits RMB'000	Proposed final dividend RMB'000	Total RMB'000	Non-controlling interests RMB'000	Total equity RMB'000
At 1 January 2011	3,058,060	2,654,601	834,792	775,510	(248,470)	27,960	(533,123)	1,484,254	266,051	8,319,635	104,362	8,423,997
Profit for the year	–	–	–	–	–	–	–	1,304,163	–	1,304,163	14,879	1,319,042
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments, net of tax	–	–	–	–	–	(12,587)	–	–	–	(12,587)	(5)	(12,592)
Total comprehensive income for the year	–	–	–	–	–	(12,587)	–	1,304,163	–	1,291,576	14,874	1,306,450
Transfer from/(to) reserves	–	–	148,939	321,011	–	–	–	(469,950)	–	–	–	–
Capital injection by a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	52,480	52,480
Dividends paid to non-controlling shareholders	–	–	–	–	–	–	–	–	–	–	(9,600)	(9,600)
Final 2010 dividend declared	–	–	–	–	–	–	–	–	(266,051)	(266,051)	–	(266,051)
Proposed final 2011 dividend (note 29)	–	–	–	–	–	–	–	(275,225)	275,225	–	–	–
At 31 December 2011	3,058,060	2,654,601*	983,731*	1,096,521*	(248,470)*	15,373*	(533,123)*	2,043,242*	275,225	9,345,160	162,116	9,507,276

* These reserve accounts comprise the consolidated reserves of RMB6,011,875,000 (2010: RMB4,995,524,000) in the consolidated statement of financial position.

	Notes	2011 RMB'000	2010 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**1,565,020**	1,366,236
Adjustments for:			
Finance costs		**130,076**	94,234
Share of profits and losses of associates		**(10,423)**	(12,710)
Depreciation	6, 12	**57,210**	58,313
Amortisation of prepaid land lease payments	6, 14	**32,188**	32,223
Amortisation of service concession arrangements	6, 13	**270,620**	238,782
Reversal of impairment of other receivables, net	6	**(580)**	(15,809)
Loss on disposal of items of property, plant and equipment	6	**6,525**	6,617
Gains on disposal of land use rights	5	**–**	(2,285)
Interest income	5	**(64,370)**	(30,002)
Dividend income from available-for-sale investments	5	**(1,898)**	(1,007)
		1,984,368	1,734,592
Additions to service concession arrangements		**(2,566,874)**	(1,964,517)
Increase in payments in advance		**(65,859)**	(15,992)
Increase in an amount due from a customer for contract work		**(938,099)**	–
Increase in trade and other receivables		**(844,809)**	(30,823)
Decrease/(increase) in inventories		**(15,043)**	8,702
Decrease in an amount due from the ultimate holding company		**–**	955
Increase in trade and other payables		**1,083,818**	181,058
Cash used in operations		**(1,362,498)**	(86,025)
Income tax paid		**(172,664)**	(159,874)
Net cash flows used in operating activities		**(1,535,162)**	(245,899)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		**(130,877)**	(76,727)
Proceeds from disposal of items of property, plant and equipment		**478**	3,647
Proceeds from disposal of land use rights		**–**	3,326
Interest received		**33,667**	30,002
Dividend received from an associate		**11,710**	10,440
Dividend received from available-for-sale investments		**1,898**	1,007
Net cash flows used in investing activities		**(83,124)**	(28,305)

	Notes	2011 RMB'000	2010 RMB'000
Net cash outflows before financing activities		**(1,618,286)**	(274,204)
CASH FLOWS FROM FINANCING ACTIVITIES			
Interest paid		**(163,647)**	(119,854)
Dividends paid to owners of the Company		**(266,051)**	(195,716)
Dividends paid to non-controlling shareholders		**(9,600)**	(10,052)
Proceeds from bank loans		**1,856,052**	2,389,110
Repayment of bank loans		**(1,288,000)**	(288,600)
Proceeds from short term commercial papers		**2,000,000**	–
Repayment of short term commercial papers		**–**	(2,000,000)
Costs on the issuance of short term commercial papers		**(8,000)**	–
Repayment of other loans		**(22,727)**	(22,727)
Capital injection by a non-controlling shareholder		**25,480**	–
Net cash flows from/(used in) financing activities		**2,123,507**	(247,839)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS		**505,221**	(522,043)
Cash and cash equivalents at beginning of year		**1,283,719**	1,805,762
CASH AND CASH EQUIVALENTS AT END OF YEAR		**1,788,940**	1,283,719
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	24		
Cash and bank balances		**1,652,191**	1,015,684
Non-pledged time deposits		**116,227**	258,035
Cash and cash equivalents as stated in the consolidated statement of financial position		**1,768,418**	1,273,719
Pledged time deposits		**20,522**	10,000
Cash and cash equivalents as stated in the consolidated statement of cash flows		**1,788,940**	1,283,719

STATEMENT OF FINANCIAL POSITION

	Notes	2011 RMB'000	2010 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**389,881**	342,156
Service concession arrangements	13	**9,780,374**	7,312,040
Prepaid land lease payments	14	**349,274**	371,138
Investments in subsidiaries	15	**1,731,817**	1,531,817
Investments in associates	16	**39,428**	39,428
Available-for-sale investments	17	**48,909**	60,789
Payments in advance	19	**484,987**	415,087
Total non-current assets		**12,824,670**	10,072,455
CURRENT ASSETS			
Inventories	21	**197**	197
Prepayments, deposits and other receivables	23	**61,593**	63,658
Due from subsidiaries	15	**1,563,304**	702,400
Pledged deposits	24	**20,522**	10,000
Cash and cash equivalents	24	**1,335,109**	754,461
Total current assets		**2,980,725**	1,530,716
CURRENT LIABILITIES			
Tax payable		**150,493**	103,571
Other payables and accruals	25	**1,270,553**	421,553
Interest-bearing bank and other loans	26	**2,022,727**	1,222,727
Due to subsidiaries	15	**94,487**	153,817
Total current liabilities		**3,538,260**	1,901,668
NET CURRENT LIABILITIES		**(557,535)**	(370,952)
TOTAL ASSETS LESS CURRENT LIABILITIES		**12,267,135**	9,701,503
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	26	**2,953,344**	1,180,019
Deferred tax liabilities	20	**1,494**	5,661
Total non-current liabilities		**2,954,838**	1,185,680
Net assets		**9,312,297**	8,515,823
EQUITY			
Issued capital	27	**3,058,060**	3,058,060
Reserves	28	**5,979,012**	5,191,712
Proposed final dividend	29	**275,225**	266,051
Total equity		**9,312,297**	8,515,823

1. CORPORATE INFORMATION

Sichuan Expressway Company Limited (the "Company") is a limited liability company established in the People's Republic of China (the "PRC"). The registered office of the Company is located at 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC.

During the year, the principal activities of the Company and its subsidiaries (collectively referred to as the "Group") were investment holding, the construction, management and operation of expressways and a high-grade toll bridge, and operation of gas stations along expressways.

On 16 April 2010, the People's Government of Sichuan Province established Sichuan Transport Industry Investment Group Company Limited ("STI Group"). On 16 November 2010, STI Group and Sichuan Highway Development Company Limited ("Sichuan Highway Development") entered into a share transfer agreement, pursuant to which Sichuan Highway Development agreed to transfer 975,060,078 A Shares (representing 31.88% of the total share capital of the Company) to STI Group for nil consideration (the "Share Transfer"). The Share Transfer was completed on 25 March 2011 when Shanghai Branch of China Securities Depository and Clearing Corporation Limited issued a confirmation letter for securities transfer and registration, confirming that 975,060,078 shares of the Company held by Sichuan Highway Development have been transferred to STI Group and the nature of the shares is state-owned shares. Upon completion of the Share Transfer, Sichuan Highway Development and the Company are both controlled by STI Group.

In the opinion of the directors, STI Group succeeded Sichuan Highway Development as the parent and the ultimate holding company of the Company upon completion of the above Share Transfer.

2.1 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("HKASs") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (the "HKICPA"), accounting principles generally accepted in Hong Kong ("HK GAAP") and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for certain available-for-sale equity investments, which have been measured at fair value. These financial statements are presented in Renminbi ("RMB") and all values are rounded to nearest thousand except when otherwise indicated.

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases. All intra-group balances, transactions, unrealised gains and losses resulting from intra-group transactions and dividends are eliminated on consolidation in full.

Total comprehensive income within a subsidiary is attributed to the non-controlling interest even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES

The Group has adopted the following new and revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendment	Amendment to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Limited Exemption from Comparative HKFRS 7 Disclosures for First-time Adopters*
HKAS 24 (Revised)	*Related Party Disclosures*
HKAS 32 Amendment	Amendment to HKAS 32 *Financial Instruments: Presentation — Classification of Rights Issues*
HK(IFRIC)-Int 14 Amendments	Amendments to HK(IFRIC)-Int 14 *Prepayments of a Minimum Funding Requirement*
HK(IFRIC)-Int 19	*Extinguishing Financial Liabilities with Equity Instruments*
Improvements to HKFRSs 2010	Amendments to a number of HKFRSs issued in May 2010

Other than as further explained below regarding the impact of HKAS 24 (Revised), and amendments to HKFRS 3, HKAS 1 and HKAS 27 included in *Improvements to HKFRSs 2010*, the adoption of the new and revised HKFRSs has had no significant financial effect on these financial statements.

The principal effects of adopting these HKFRSs are as follows:

(a) HKAS 24 (Revised) *Related Party Disclosures*

HKAS 24 (Revised) clarifies and simplifies the definitions of related parties. The new definitions emphasise a symmetrical view of related party relationships and clarify the circumstances in which persons and key management personnel affect related party relationships of an entity. The revised standard also introduces an exemption from the general related party disclosure requirements for transactions with a government and entities that are controlled, jointly controlled or significantly influenced by the same government as the reporting entity. The accounting policy for related parties has been revised to reflect the changes in the definitions of related parties under the revised standard.

2.2 CHANGES IN ACCOUNTING POLICY AND DISCLOSURES *(Continued)*

(b) *Improvements to HKFRSs 2010* issued in May 2010 sets out amendments to a number of HKFRSs. There are separate transitional provisions for each standard. While the adoption of some of the amendments may result in changes in accounting policies, none of these amendments has had a significant financial impact on the financial position or performance of the Group. Details of the key amendments most applicable to the Group are as follows:

- HKFRS 3 *Business Combinations:* The amendment clarifies that the amendments to HKFRS 7, HKAS 32 and HKAS 39 that eliminate the exemption for contingent consideration do not apply to contingent consideration that arose from business combinations whose acquisition dates precede the application of HKFRS 3 (as revised in 2008).

  In addition, the amendment limits the scope of measurement choices for non-controlling interests. Only the components of non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured at either fair value or at the present ownership instruments' proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another HKFRS.

  The amendment also added explicit guidance to clarify the accounting treatment for non-replaced and voluntarily replaced share-based payment awards.

- HKAS 1 *Presentation of Financial Statements:* The amendment clarifies that an analysis of each component of other comprehensive income can be presented either in the statement of changes in equity or in the notes to the financial statements. The Group elects to present the analysis of each component of other comprehensive income in the statement of changes in equity.

- HKAS 27 *Consolidated and Separate Financial Statements:* The amendment clarifies that the consequential amendments from HKAS 27 (as revised in 2008) made to HKAS 21, HKAS 28 and HKAS 31 shall be applied prospectively for annual periods beginning on or after 1 July 2009 or earlier if HKAS 27 is applied earlier.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 *First-time Adoption of Hong Kong Financial Reporting Standards — Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Transfers of Financial Assets*[1]
HKFRS 7 Amendments	Amendments to HKFRS 7 *Financial Instruments: Disclosures — Offsetting Financial Assets and Financial Liabilities*[4]
HKFRS 9	*Financial Instruments*[6]
HKFRS 10	*Consolidated Financial Statements*[4]
HKFRS 11	*Joint Arrangements*[4]
HKFRS 12	*Disclosure of Interests in Other Entities*[4]
HKFRS 13	*Fair Value Measurement*[4]
HKAS 1 Amendments	Amendments to HKAS 1 *Presentation of Financial Statements — Presentation of Items of Other Comprehensive Income*[3]
HKAS 12 Amendments	Amendments to HKAS 12 *Income Taxes — Deferred Tax: Recovery of Underlying Assets*[2]
HKAS 19 Amendments	Amendments to HKAS 19 *Employee Benefits*[4]
HKAS 27 (Revised)	*Separate Financial Statements*[4]
HKAS 28 (Revised)	*Investments in Associates and Joint Ventures*[4]
HKAS 32 Amendments	*Amendments to HKAS 32 Financial Instruments: Presentation — Offsetting Financial Assets and Financial Liabilities*[5]
HK(IFRIC)-Int 20	*Stripping Costs in the Production Phase of a Surface Mine*[4]

1 Effective for annual periods beginning on or after 1 July 2011

2 Effective for annual periods beginning on or after 1 January 2012

3 Effective for annual periods beginning on or after 1 July 2012

4 Effective for annual periods beginning on or after 1 January 2013

5 Effective for annual periods beginning on or after 1 January 2014

6 Effective for annual periods beginning on or after 1 January 2015

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

Further information about those changes that are expected to significantly affect the Group is as follows:

HKFRS 9 issued in November 2009 is the first part of phase 1 of a comprehensive project to entirely replace HKAS 39 *Financial Instruments: Recognition and Measurement*. This phase focuses on the classification and measurement of financial assets. Instead of classifying financial assets into four categories, an entity shall classify financial assets as subsequently measured at either amortised cost or fair value, on the basis of both the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. This aims to improve and simplify the approach for the classification and measurement of financial assets compared with the requirements of HKAS 39.

In November 2010, the HKICPA issued additions to HKFRS 9 to address financial liabilities (the "Additions") and incorporated in HKFRS 9 the current derecognition principles of financial instruments of HKAS 39. Most of the Additions were carried forward unchanged from HKAS 39, while changes were made to the measurement of financial liabilities designated at fair value through profit or loss using the fair value option ("FVO"). For these FVO liabilities, the amount of change in the fair value of a liability that is attributable to changes in credit risk must be presented in other comprehensive income ("OCI"). The remainder of the change in fair value is presented in profit or loss, unless presentation of the fair value change in respect of the liability's credit risk in OCI would create or enlarge an accounting mismatch in profit or loss. However, loan commitments and financial guarantee contracts which have been designated under the FVO are scoped out of the Additions.

HKAS 39 is aimed to be replaced by HKFRS 9 in its entirety. Before this entire replacement, the guidance in HKAS 39 on hedge accounting and impairment of financial assets continues to apply. The Group expects to adopt HKFRS 9 from 1 January 2015.

HKFRS 10 establishes a single control model that applies to all entities including special purpose entities or structured entities. It includes a new definition of control which is used to determine which entities are consolidated. The changes introduced by HKFRS 10 require management of the Group to exercise significant judgement to determine which entities are controlled, compared with the requirements in HKAS 27 and HK(SIC)-Int 12 *Consolidation — Special Purpose Entities*. HKFRS 10 replaces the portion of HKAS 27 *Consolidated and Separate Financial Statements* that addresses the accounting for consolidated financial statements. It also includes the issues raised in HK(SIC)-Int 12.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities that are previously included in HKAS 27 *Consolidated and Separate Financial Statements*, HKAS 31 *Interests in Joint Ventures and* HKAS 28 *Investments in Associates*. It also introduces a number of new disclosure requirements for these entities.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 12, and the consequential amendments to HKAS 27 and HKAS 28 from 1 January 2013.

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs *(Continued)*

HKFRS 13 provides a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across HKFRSs. The standard does not change the circumstances in which the Group is required to use fair value, but provides guidance on how fair value should be applied where its use is already required or permitted under other HKFRSs. The Group expects to adopt HKFRS 13 prospectively from 1 January 2013.

Amendments to HKAS 1 change the grouping of items presented in OCI. Items that could be reclassified (or recycled) to profit or loss at a future point in time (for example, upon derecognition or settlement) would be presented separately from items which will never be reclassified. The Group expects to adopt the amendments from 1 January 2013.

Amendments to HKAS 19 include a number of amendments that range from fundamental changes to simple clarifications and re-wording. The amendments introduce significant changes in the accounting for defined benefit pension plans including removing the choice to defer the recognition of actuarial gains and losses. Other changes include modifications to the timing of recognition for termination benefits, the classification of short-term employee benefits and disclosures of defined benefit plans. The Group expects to adopt the amendments from 1 January 2013.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fundamental accounting concept

As at 31 December 2011, the Group's current liabilities exceeded its current assets by approximately RMB447.1 million. The directors have prepared these consolidated financial statements on a going concern basis notwithstanding the net current liabilities position because based on the correspondences received by the Group, banking facilities of RMB1.69 billion, RMB1.05 billion, RMB0.6 billion, RMB0.5 billion, RMB0.1 billion, RMB0.2 billion and RMB0.3 billion granted by China Construction Bank, Industrial and Commercial Bank of China, Bank of China, Shanghai Pudong Development Bank, China Merchants Bank, Bank of Communications and Huaxia Bank, respectively, are available to the Group within the next one or two years. As stipulated in those correspondences from the various banks, the approved limits of facilities that those banks grant the Group to withdraw limit for the next one and two years aggregated RMB2.65 billion and RMB1.79 billion, respectively. As at 31 December 2011, banking facilities of RMB2.12 billion and RMB1.49 billion of the above available banking facilities remained unutilized within the next one and two years, respectively.

In addition, in 2010, the Company entered into a mid-long term syndicated loan arrangement with the sole mandated lead arranger, China CITIC Bank Corporation Limited (Chengdu Branch) and other eight banks in the PRC as joint lenders for the arrangement of a total banking facility of RMB4.89 billion to finance the construction of the Chengdu-Meishan (Renshou) section of Chengdu-Zigong-Luzhou-Chishui Expressway ("Chengren Expressway") in the form of build-operate-transfer model (the "Chengren Expressway BOT Project"). As at 31 December 2011, RMB2.61 billion has been drawn down by the Company.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Subsidiaries

A subsidiary is an entity whose financial and operating policies the Company controls, directly or indirectly, so as to obtain benefits from its activities.

The results of subsidiaries are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in subsidiaries are stated at cost less any impairment losses.

Associates

An associate is an entity, not being a subsidiary or a jointly-controlled entity, in which the Group has a long term interest of generally not less than 20% of the equity voting rights and over which it is in a position to exercise significant influence.

The Group's investments in associates are stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses. The Group's share of the post-acquisition results and reserves of associates is included in the consolidated profit or loss and consolidated reserves, respectively. Unrealised gains or losses resulting from transactions between the Group and its associates are eliminated to the extent of the Group's investments in the associates, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of associates is included as part of the Group's investments in associates and is not individually tested for impairment.

The results of the associates are included in the Company's profit or loss to the extent of dividends received and receivable. The Company's investments in associates are treated as non-current assets and stated at cost less any impairment losses.

Business combinations and goodwill

Business combinations not under common control, are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation either at fair value or at the proportionate share of the acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition costs are expensed as incurred.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value as at the acquisition date through profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability will be recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it will not be remeasured. Subsequent settlement is accounted for within equity. In instances where the contingent consideration does not fall within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in the acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets of the subsidiary acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 31 December. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Business combinations and goodwill *(Continued)*

Where goodwill forms part of a cash-generating unit (group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

Merger accounting for business combinations under common control

The consolidated financial statements include the financial statements of the combining entities or businesses in which the common control combination occurs as if they had been consolidated from the date when the combining entities or businesses first came under the control of the controlling parties.

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, deferred tax assets and financial assets), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs to sell, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such impairment loss is credited to profit or loss in the period in which it arises.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

(i) has control or joint control over the Group;

(ii) has significant influence over the Group; or

(iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a); or

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Property, plant and equipment and depreciation

Property, plant and equipment, other than construction in progress, are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The estimated useful lives used for this purpose are as follows:

Safety equipment	10 years
Communication and signalling systems	10 years
Toll collection equipment	8 years
Buildings	15-30 years
Machinery and equipment	5-10 years
Motor vehicles	8 years

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment and any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Construction in progress represents items of property, plant and equipment under construction which is stated at cost less any impairment losses, and is not depreciated. Cost comprises the purchase price of equipment and direct costs of construction, installation and testing incurred during the period of construction. Construction in progress is reclassified to the appropriate category of property, plant and equipment when completed and ready for use.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Service concession arrangements

Service concession arrangements represent the rights to charge users of the public service, that the Group obtained under the service concession arrangements. Service concession arrangements are stated at cost, that is, the fair value of the consideration received or receivable in exchange for the construction services provided under the service concession arrangements, less accumulated amortisation and any impairment losses.

Subsequent expenditures such as repairs and maintenance are charged to profit or loss in the period in which they are incurred. In situations where the recognition criteria are satisfied, the expenditures are capitalised as an additional cost of service concession arrangements.

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

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

Costs incurred during the period of construction of underlying assets of a service concession arrangement are recorded in service concession arrangements and will be amortised upon the commencement of operation of the service concession arrangement.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as loans and receivables, and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial assets at initial recognition. When financial assets are recognised initially, they are measured at fair value plus transaction costs, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

The Group's financial assets include cash and bank balances, trade and other receivables and available-for-sale investments.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in "Other income and gains" in profit or loss. The loss arising from impairment is recognised in profit or loss in "Finance costs" for loans and in "Other expenses" for receivables.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Investments and other financial assets *(Continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in listed and unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in "Other income and gains", or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in "Other expenses". Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as "Other income and gains" in accordance with the policies set out for "Revenue recognition" below.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets and management's intent to do so significantly changes in the foreseeable future, the Group may elect to reclassify these financial assets. Reclassification to loans and receivables is permitted when the financial assets meet the definition of loans and receivables and the Group has the intent and ability to hold these assets for the foreseeable future or to maturity. Reclassification to the held-to-maturity category is permitted only when the Group has the ability and intent to hold until the maturity date of the financial asset.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or

- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Group's continuing involvement in the asset. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group could be required to repay.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (an incurred "loss event") and that loss event has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses individually whether objective evidence of impairment exists for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition). If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate.

The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount and is accrued using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a future write-off is later recovered, the recovery is credited to profit or loss.

Assets carried at cost

If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Impairment losses on these assets are not reversed.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Impairment of financial assets *(Continued)*

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired.

If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. The determination of what is "significant" or ''prolonged" requires judgement. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss — measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss — is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

Financial liabilities

Initial recognition and measurement

Financial liabilities within the scope of HKAS 39 are classified as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus, in the case of loans and borrowings, directly attributable transaction costs.

The Group's financial liabilities include trade and other payables and interest-bearing bank and other loans.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Financial liabilities *(Continued)*

Subsequent measurement

The subsequent measurement of loans and borrowings is as follows:

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Fair value of financial instruments

The fair value of financial instruments that are traded in active markets is determined by reference to quoted market prices or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs. For financial instruments where there is no active market, the fair value is determined, using appropriate valuation techniques. Such techniques include using recent arm's length market transactions; reference to the current market value of another instrument which is substantially the same; a discounted cash flow analysis; and option pricing models.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Net realisable value is based on estimated selling prices less any estimated cost to be incurred to completion and disposal.

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally less than three months when acquired.

For the purpose of the statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, which are not restricted as to use.

Provisions

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in "Finance costs" in profit or loss.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the country in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Income tax *(Continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of taxable temporary differences associated with investments in subsidiaries and associates, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- in respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and 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, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Government grants

Government grants are recognised at their fair value where there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. When the grant relates to an expense item, it is recognised as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Where the grant relates to an asset, the fair value is credited to a deferred income account and is released to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) toll income from operation of expressways and a high-grade toll bridge, net of related revenue taxes, is recognised on a receipt basis;

(b) revenue from construction and upgrade services provided under the service concession arrangements, on the percentage of completion method, as further explained in the accounting policy for "Construction and upgrade services" below;

(c) construction contracts, on the percentage of completion basis, as further explained in the accounting policy for "Construction contracts" below;

(d) rental income, on a time proportion basis over the lease terms;

(e) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts through the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset; and

(f) dividend income, when a shareholder's right to receive payment has been established.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Construction and upgrade services

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

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

The Group uses the percentage of completion method to determine the appropriate amount of income and expenses to be recognised in a given period, provided that the revenue, the costs incurred and the estimated costs to completion can be measured reliably. The stage of completion is measured by reference to the construction costs of the related infrastructure incurred up to the end of the reporting period as a percentage of the total estimated costs for each contract. Provision is made for foreseeable losses as soon as they are anticipated by management.

Construction contracts

Contract revenue comprises the agreed contract amount and appropriate amounts from variation orders, claims and incentive payments. Contract costs incurred comprise direct materials, the costs of subcontracting, direct labour and an appropriate proportion of variable and fixed construction overheads.

Revenue from fixed price construction contracts is recognised on the percentage of completion method, measured by reference to surveys of work performed or measured by reference to the proportion of costs incurred to date to the estimated total cost of the relevant contract, as appropriate.

Revenue from cost plus construction contracts is recognised on the percentage of completion method, measured by reference to the recoverable costs incurred during the period plus a percentage of costs, measured by surveys of work performed.

Provision is made for foreseeable losses as soon as they are anticipated by management. Where contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus is treated as an amount due from contract customers. Where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus is treated as an amount due to contract customers.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Employee benefits

Defined contribution pension scheme

As stipulated by the state regulations of the PRC, the Group participates in a defined contribution pension scheme. All retired employees are entitled to an annual pension equivalent to a fixed proportion of the average basic salary amount within the geographical area of their last employment at their retirement date. During the year, the Group was required to make contributions to a local social security bureau at a rate of 20% of the employees' salaries or wages of the current year, up to an amount equivalent to three times the employees' average salaries of the prior year within the geographical area where the employees are employed. The contributions are charged to profit or loss as they become payable in accordance with the rules of the central pension scheme.

During the year, contributions to the local social security bureau made by the Group under the defined contribution pension scheme amounted to approximately RMB29,395,000 (2010: RMB23,085,000). The Group has no obligation for the payment of pension benefits beyond the annual contributions to the local social security bureau.

Supplementary defined contribution pension scheme

In addition, on 1 January 2007, a supplementary defined contribution pension scheme managed by an independent financial institution was established. Under the plan, the Group makes a monthly defined contribution to certain qualified employees at a rate of 8.3% of the qualified employees' salaries or wages of the prior year. There were no vested benefits attributable to past service upon the adoption of the plan. The contributions under the supplementary defined contribution pension scheme are charged to profit or loss as incurred.

During the year, contributions to the supplementary defined contribution pension scheme made by the Group amounted to approximately RMB12,316,000 (2010: RMB8,600,000). Other than the above, the Group has no obligation for the payment of pension benefits beyond those annual contributions.

Accommodation fund

According to the relevant rules and regulations of the Sichuan Province, the Group and its employees are each required to make contributions, which are in proportion to the employees' salaries or wages of the prior year, to an accommodation fund. Contributions to an accommodation fund administered by the Public Accumulation Funds Administration Centre are charged to profit or loss as incurred.

During the year, the Group's contributions to the accommodation fund amounted to approximately RMB22,384,000 (2010: RMB16,657,000). There are no further obligations on the part of the Group beyond the required annual contributions.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(Continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are accounted for as operating leases. Where the Group is the lessor, assets leased by the Group under operating leases are included in non-current assets, and rentals receivable under the operating leases are credited to profit or loss on the straight-line basis over the lease terms. Where the Group is the lessee, rentals payable under operating leases are charged to profit or loss on the straight-line basis over the lease terms.

Prepaid land lease payments under operating leases are initially stated at cost and subsequently recognised on the straight-line basis over lease terms.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs capitalised. All other borrowing costs are expensed in the period in which they are incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Dividends

Final dividends proposed by the directors are classified as a separate allocation of retained profits within the equity section of the statement of financial position, until they have been approved by the shareholders in a general meeting. When these dividends are approved by the shareholders and declared, they are recognised as a liability.

Interim dividends are simultaneously proposed and declared, because the Company's articles of association grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised immediately as a liability when they are proposed and declared.

Foreign currencies

These financial statements are presented in RMB, which is the Company's functional and presentation currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rates of exchange ruling at the end of the reporting period. All differences arising on settlement or translation of monetary items are taken to profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

3. SIGNIFICANT ACCOUNTING ESTIMATES

The preparation of the Group's financial statements require management to make estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities, at the end of the reporting period. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets and liabilities affected in the future.

Estimation uncertainty

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

(a) Impairment of receivables

Impairment of receivables is made based on an assessment of the recoverability of receivables. The assessment of impairment of receivables involves the use of estimates and judgements. An estimate for doubtful debts is made when collection of the full amount is no longer probable, as supported by objective evidence using available contemporary and historical information to evaluate the exposure. Bad debts are written off as incurred. Where the actual outcome or expectation in future is different from the original estimates, such differences will impact on the carrying amount of receivables and thus the impairment loss in the period in which such estimate is changed.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at the end of each reporting period. Indefinite life intangible assets are tested for impairment annually and at other times when such an indicator exists. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The calculation of the fair value less costs to sell is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows.

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(c) Impairment of available-for-sale financial investments

The Group classifies certain assets as available for sale and recognises movements in their fair values in equity. When the fair value declines, management makes assumption about the decline in value to determine whether there is an impairment that should be recognised to profit or loss. There was no impairment loss for available-for-sale investments during the year.

(d) Percentage of completion of construction and upgrade services provided under service concession arrangements and construction contracts

The Group recognises income and expenses associated with construction and upgrade services provided under service concession arrangements and construction contracts in accordance with HKAS 11 Construction Contracts. The Group recognises construction revenue under service concession arrangements and construction contracts according to the percentage of completion of individual contract of construction and upgrade service work, which requires estimation to be made by management. The stage of completion and the corresponding contract revenue are estimated by management. Due to the nature of the activity undertaken in construction contracts, the date at which the activity is entered into and the date at which the activity is completed usually fall into different accounting periods. Hence, the Group reviews and revises the estimates of both contract revenue and contract costs in the budget prepared for each contract as the contract progresses. Where the actual contract revenue is less than expected or actual contracts costs are more than expected, an impairment loss may arise.

During the year, the construction revenue and construction costs under service concession arrangements recognised by the Group amounted to RMB2,685,924,000 and RMB2,675,515,000 (2010: RMB2,026,492,000 and RMB1,971,958,000), respectively.

(e) Amortisation of costs of service concession arrangements

Amortisation of costs of service concession arrangements is calculated under the unit-of-usage method, whereby the amortisation is provided based on the share of traffic volume in a particular period over the projected total traffic volume throughout the periods for which the Group is granted to operate those service concession arrangements. The projected total traffic volume over the respective concession periods could change significantly. The Group reviews regularly the projected total traffic volume throughout the operating periods of the respective service concession arrangements. If it is considered appropriate, independent professional traffic studies will be performed. Appropriate adjustment will be made should there be a material change in the projected total traffic volume. The carrying amount of service concession arrangements at 31 December 2011 was RMB11,205,184,000 (2010: RMB8,789,880,000).

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(f) Useful lives of property, plant and equipment

The Group determines the estimated useful lives and related depreciation charges for its property, plant and equipment. This estimate is based on the historical experience of the actual useful lives of property, plant and equipment of similar nature and functions. It could change significantly as a result of technical innovations, or competitor actions in response to severe industry cycles. The Group will increase the depreciation charge where useful lives are less than previously estimated lives, or it will write off or write down technically obsolete or non-strategic assets that have been abandoned or sold. The carrying amount of property, plant and equipment at 31 December 2011 was RMB611,927,000 (2010: RMB522,304,000).

(g) Discounted value of long term compensation receivables

The discounted value of long term compensation receivables in the future have been discounted using an imputed rate of interest of 13.92% after taking into account the risk premium associated with the credit risk incurred. The use of the discounted rate requires the Group to make estimates about the imputed rate of interest, and hence it is subject to uncertainty. The net present value of long term receivables at 31 December 2011 was RMB71,921,000 (2010: RMB74,544,000). Further details are included in note 18 to the financial statements.

(h) PRC corporate income tax ("CIT")

The Group is subject to CIT in Mainland China. As a result of the fact that certain matters relating to CIT have not been confirmed by the relevant local tax authorities, objective estimates based on currently enacted tax laws, regulations and other related policies are required in determining the provision of CIT to be made. Where the final tax outcome of these matters is different from the amounts originally recorded, the differences will have an impact on the income tax expenses and tax provisions in the period in which the differences are realised. The carrying amount of the PRC CIT payable at 31 December 2011 was RMB196,106,000 (2010: RMB119,811,000).

4. OPERATING SEGMENT INFORMATION

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the board of directors (the "Board") of the Company that makes strategic decisions. For management purposes, the Group is organised into business units based on their services and products and has four reportable operating segments as follows:

(a) the toll operation segment comprises the operation of expressways and a high-grade toll bridge in Mainland China;

(b) the construction contracts segment comprises construction and upgrade services provided under the service concession arrangements and construction contracts;

(c) the gas stations operation segment comprises the operation of gas stations along expressways; and

(d) the "others" segment mainly comprises advertising and the rental of properties along expressways.

In previous years, the Board concluded that there was no separate reporting segment apart from the toll operation segment. In 2011, due to the development of construction contracts and gas stations operation businesses, the Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Following a change in the composition of the Group's reportable segments, the Group has restated the corresponding items of segment information for the year ended 31 December 2010.

Segment performance is evaluated based on reportable segment profit, which is a measure of adjusted profit before tax. The adjusted profit before tax is measured consistently with the Group's profit before tax except that interest income, dividend income and unallocated gains, as well as head office, corporate and other unallocated expenses are excluded from such measurement.

Segment assets exclude deferred tax assets, pledged deposits, cash and cash equivalents, available-for-sale investments and other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude tax payable, deferred tax liabilities and other unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2011

	Toll operation *RMB'000*	Construction contracts *RMB'000*	Gas stations operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE	**2,346,071**	**3,776,611**	**92,010**	**22,274**	**6,236,966**
SEGMENT RESULTS	**1,475,698**	**165,304**	**4,303**	**5,501**	**1,650,806**
Reconciliation:					
Interest income					**20,667**
Dividend income and unallocated income and gains					**28,626**
Corporate and other unallocated expenses					**(135,079)**
Profit before tax					**1,565,020**
SEGMENT ASSETS	**12,917,683**	**1,919,766**	**39,829**	**21,105**	**14,898,383**
Reconciliation:					
Available-for-sale investments					**67,403**
Cash and cash equivalents					**1,768,418**
Pledged deposits					**20,522**
Total assets					**16,754,726**
SEGMENT LIABILITIES	**5,483,110**	**1,534,964**	**5,628**	**19,989**	**7,043,691**
Reconciliation:					
Tax payable					**196,106**
Deferred tax liabilities					**7,653**
Total liabilities					**7,247,450**
OTHER SEGMENT INFORMATION					
Share of profits and losses of associates	**10,931**	**(507)**	**–**	**–**	**10,424**
Depreciation and amortisation	**351,326**	**6,801**	**341**	**1,550**	**360,018**
Investments in associates	**60,138**	**202**	**–**	**4,450**	**64,790**
Reversal of provision for impairment of other receivables	**(580)**	**–**	**–**	**–**	**(580)**
Capital expenditure*	**2,779,512**	**28,530**	**31,385**	**333**	**2,839,760**

* Capital expenditure consists of additions to service concession arrangements and property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Year ended 31 December 2010

	Toll operation *RMB'000*	Construction contracts *RMB'000*	Gas stations operation *RMB'000*	Others *RMB'000*	Total *RMB'000*
SEGMENT REVENUE	2,224,500	2,061,614	–	19,308	4,305,422
SEGMENT RESULTS	1,370,388	40,871	–	2,924	1,414,183
Reconciliation:					
Interest income					19,305
Dividend income and unallocated income and gains					21,061
Corporate and other unallocated expenses					(88,313)
Profit before tax					1,366,236
SEGMENT ASSETS	10,436,067	69,592	–	22,138	10,527,797
Reconciliation:					
Available-for-sale investments					85,817
Cash and cash equivalents					1,273,719
Pledged deposits					10,000
TOTAL ASSETS					11,897,333
SEGMENT LIABILITIES	3,169,258	144,519	–	23,292	3,337,069
Reconciliation:					
Tax payable					119,811
Deferred tax liabilities					16,456
TOTAL LIABILITIES					3,473,336
OTHER SEGMENT INFORMATION					
Share of profits and losses of associates	12,710	–	–	–	12,710
Depreciation and amortisation	321,649	5,792	–	1,877	329,318
Investments in associates	60,250	1,377	–	4,450	66,077
Reversal of provision for impairment of other receivables	(7,113)	–	–	(8,696)	(15,809)
Capital expenditure*	2,041,653	19,374	–	665	2,061,692

* Capital expenditure consists of additions to service concession arrangements and property, plant and equipment.

4. OPERATING SEGMENT INFORMATION *(Continued)*

Entity-wide disclosures

Geographical information

The Group is domiciled in Mainland China. All external revenues of the Group are generated in Mainland China. The Group's non-current assets are all located in Mainland China. Thus, no geographic information is presented.

Information about major customers

During the year ended 31 December 2011, revenue of approximately RMB938,099,000 (2010: Nil) was derived from a single customer under the construction contracts segment (note 22), which amounted to 10% or more of the total revenue.

5. REVENUE, OTHER INCOME AND GAINS

An analysis of revenue, other income and gains is as follows:

	2011	2010
	RMB'000	*RMB'000*
Revenue		
Toll income		
— Chengyu Expressway	**1,176,077**	1,139,230
— Chengya Expressway	**672,498**	645,119
— Chengle Expressway	**485,734**	419,133
— Chengbei Exit Expressway and Qinglongchang Bridge	**93,835**	92,449
	2,428,144	2,295,931
Less: Revenue taxes	**(82,073)**	(71,431)
Sub-total	**2,346,071**	2,224,500

5. REVENUE, OTHER INCOME AND GAINS *(Continued)*

	2011 **RMB'000**	2010 RMB'000
Construction revenue in respect of		
— Service concession arrangements	**2,685,924**	2,026,492
— Construction works performed for third parties	**1,136,423**	53,269
	3,822,347	2,079,761
Less: Revenue taxes	**(45,736)**	(18,147)
Sub-total	**3,776,611**	2,061,614
Revenue from operation of gas stations	**92,010**	—
Others (including income from rental and advertising)	**22,274**	19,308
	6,236,966	4,305,422
Other income and gains		
Interest income from bank deposits	**20,667**	19,305
Interest income from discounting long term compensation receivables *(note 18)*	**10,377**	10,697
Interest income from construction contracts *(note 23)*	**33,326**	—
Gain on disposal of land use rights	**—**	2,285
Rental income	**4,418**	3,128
Government grants*	**1,069**	193
Dividend income from available-for-sale investments	**1,898**	1,007
Compensation	**11,592**	11,127
Miscellaneous	**9,649**	3,320
	92,996	51,062
Total revenue, other income and gains	**6,329,962**	4,356,484

* There were no unfulfilled conditions or contingencies relating to these grants.

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	Notes	**2011 RMB'000**	2010 RMB'000
Employee costs (including directors' and supervisors' remuneration *(note 8)*):			
Wages and salaries		**207,350**	151,324
Pension scheme contributions			
— Defined contribution fund		**29,395**	23,085
Accommodation benefits			
— Defined contribution fund		**22,384**	16,657
Supplementary pension scheme			
— Defined contribution fund		**12,316**	8,600
Other staff benefits		**42,739**	30,941
		314,184	230,607
Depreciation	12	**57,210**	58,313
Amortisation of service concession arrangements	13	**270,620**	238,782
Amortisation of prepaid land lease payments	14	**32,188**	32,223
Depreciation and amortisation expenses		**360,018**	329,318
Repairs and maintenance		**164,022**	195,098
Construction costs in respect of			
— Service concession arrangements*		**2,675,515**	1,971,958
— Construction works performed for third parties*		**929,481**	51,121
Minimum lease payments under operating leases:			
Land and buildings		**22,167**	21,566
Auditors' remuneration		**2,189**	1,768
Loss on disposal of items of property, plant and equipment		**6,525**	6,617
Reversal of provision for impairment of other receivables	23	**(580)**	(15,809)

* During the year, employee costs of RMB41,056,000 (2010: RMB17,498,000) and depreciation charges of RMB645,000 (2010: RMB520,000) are included in those construction costs.

7. FINANCE COSTS

An analysis of finance costs is as follows:

	2011	2010
	RMB'000	*RMB'000*
Interest on bank and other loans wholly repayable within five years	**161,035**	42,142
Interest on other bank loans	**6,302**	8,687
Interest on short term commercial papers	**73,789**	63,893
Cost on issuance of short term commercial papers	**8,000**	–
Bank charges	**–**	718
	249,126	115,440
Less: Interest capitalised in service concession arrangements *(note 13(c))*	**(119,050)**	(20,488)
	130,076	94,952
Interest rate of borrowing costs capitalised	**5.35%-6.35%**	5.35%

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES

Directors' and supervisors' remuneration for the year, disclosed pursuant to the Listing Rules and Section 161 of the Hong Kong Companies Ordinance, is as follows:

Directors

	2011	2010
	RMB'000	*RMB'000*
Fees	**240**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**2,749**	2,614
Pension scheme contributions	**98**	102
Supplementary pension scheme contributions	**157**	128
	3,004	2,844
	3,244	3,084

(1) Independent non-executive directors

The fees paid to independent non-executive directors during the year were as follows:

	2011	2010
	RMB'000	*RMB'000*
Madam Luo Xia	**60**	60
Mr. Feng Jian	**60**	60
Mr. Zhao Zesong	**60**	60
Mr. Xie Bangzhu	**60**	60
	240	240

There were no other emoluments payable to the independent non-executive directors during the year (2010: Nil).

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(2) Executive and non-executive directors

	Salaries allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2011				
Executive directors:				
Mr. Tang Yong	**430**	**17**	**32**	**479**
Mr. Zhang Zhiying	**401**	**13**	**24**	**438**
Mr. Liu Mingli	**344**	**17**	**25**	**386**
	1,175	**47**	**81**	**1,303**
Non-executive directors:				
Madam Zhang Yang	**130**	**–**	**–**	**130**
Mr. Gao Chun	**130**	**–**	**–**	**130**
Mr. Zhou Liming	**130**	**–**	**–**	**130**
Mr. Wang Shuanming	**130**	**–**	**–**	**130**
Madam Hu Yu	**130**	**–**	**–**	**130**
	1,825	**47**	**81**	**1,953**
2010				
Executive directors:				
Mr. Tang Yong	380	17	24	421
Mr. Zhang Zhiying	380	17	24	421
Mr. Liu Mingli	299	17	21	337
	1,059	51	69	1,179
Non-executive directors:				
Madam Zhang Yang	130	–	–	130
Mr. Gao Chun	130	–	–	130
Mr. Zhou Liming	130	–	–	130
Mr. Wang Shuanming	130	–	–	130
Madam Hu Yu	130	–	–	130
	1,709	51	69	1,829

There was no arrangement under which a director waived or agreed to waive any remuneration during the year.

8. DIRECTORS' AND SUPERVISORS' REMUNERATION AND FIVE HIGHEST PAID EMPLOYEES *(Continued)*

(3) Supervisors

	Salaries allowances and benefits in kind *RMB'000*	Pension scheme contributions *RMB'000*	Supplementary pension scheme contributions *RMB'000*	Total *RMB'000*
2011				
Mr. Feng Bing	**430**	**17**	**32**	**479**
Mr. Hou Bin	**–**	**–**	**–**	**–**
Mr. Ouyang Huajie	**–**	**–**	**–**	**–**
Mr. Jian Shixi	**344**	**17**	**25**	**386**
Madam Yang Jingfan	**280**	**17**	**19**	**316**
Mr. Dong Zhi	**–**	**–**	**–**	**–**
	1,054	**51**	**76**	**1,181**
2010				
Mr. Feng Bing	380	17	24	421
Mr. Hou Bin	–	–	–	–
Mr. Ouyang Huajie	–	–	–	–
Mr. Jian Shixi	299	17	21	337
Madam Yang Jingfan	226	17	14	257
Mr. Dong Zhi	–	–	–	–
	905	51	59	1,015

There was no arrangement under which a supervisor waived or agreed to waive any remuneration during the year.

(4) The five highest paid individuals were the Company's directors or supervisors during the two years ended 31 December 2011.

In addition to the amounts disclosed above, three supervisors did not receive any remuneration from the Company in 2011, of which two supervisors are also senior executives of Sichuan Highway Development, one supervisor is a senior executive of China Merchants Huajian Highway Investment Co., Ltd. (formally known as Huajian Transportation Economic Development Centre), which holds a 20.85% interest in the Company. In the opinion of the directors, it is not practicable to apportion these amounts between their services as supervisors of the Company and their services as senior executives of the above companies.

9. INCOME TAX

No Hong Kong profits tax has been provided as no assessable profits were earned in or derived from Hong Kong during the two years ended 31 December 2011.

Except for the companies discussed below that are entitled to a preferential tax rate, the subsidiaries and associates of the Company are required to pay CIT at the standard rate of 25%.

Pursuant to the approval documents, "Cai Shui [2011] No. 58" dated 27 July 2011 issued by the Ministry of Finance, the General Administration of Customs and the State Administration of Taxation, enterprises in encouraged industries that are established in the western region were able to enjoy a preferential tax rate of 15% from 2011 to 2020. The Group has make reference to the 2011 Version of the Guiding Catalog for Adjustment in the Industrial Structure (產業結構調整目錄(2011年本)) issued by the National Development and Reform Commission of the People's Republic of China. For entities within the scope of transportation industry, i.e., the Company, Sichuan Chengle Expressway Company Limited ("Chengle Company"), Chengdu Chengbei Exit Expressway Company Limited ("Chengbei Company") and Chengdu Airport Expressway Company Limited, which have been approved to enjoy the preferential tax rate of 15% in the past and has no changes in their business operations, income tax expenses of these entities for the year ended 31 December 2011 continued to be calculated at a tax rate of 15%.

The major components of tax expense for the year are as follows:

	2011	2010
	RMB'000	*RMB'000*
Current — Mainland China		
Charge for the year	**250,872**	198,995
Underprovision/(overprovision) in prior years	**(1,913)**	4,003
Deferred *(note 20)*	**(2,981)**	7,133
Total tax charge for the year	**245,978**	210,131

9. INCOME TAX *(Continued)*

A reconciliation of the tax expense applicable to profit before tax at the applicable tax rates for companies within the Group to the tax expense at the Group's effective tax rate, is as follows:

	2011 RMB'000	2010 RMB'000
Profit before tax	**1,565,020**	1,366,236
Tax at applicable tax rates of:		
25%	**39,420**	10,932
15%	**211,051**	198,376
Sub-total	**250,471**	209,308
Income not subject to tax	**(204)**	(3,308)
Expenses not deductible for tax	**2,180**	2,035
Adjustments in respect of current tax of previous periods	**(1,913)**	4,003
Effect of change in tax rate on opening deferred tax	**(2,992)**	–
Profit attributable to associates	**(1,564)**	(1,907)
Tax charge at the Group's effective tax rate	**245,978**	210,131

The share of tax attributable to associates amounting to RMB2,063,000 (2010: RMB2,411,000) is included in "Share of profits and losses of associates" on the face of the consolidated statement of comprehensive income.

10. PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

The consolidated profit attributable to owners of the Company for the year ended 31 December 2011 includes a profit of RMB872,822,000 (2010: RMB899,358,000), excluding dividend income from subsidiaries and an associate, which has been dealt with in the financial statements of the Company (note 28).

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the number of ordinary shares of 3,058,060,000 (2010: 3,058,060,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the year ended 31 December 2011 and 2010 in respect of a dilution as the Group had no potentially dilutive ordinary shares in issue during those years.

12. PROPERTY, PLANT AND EQUIPMENT

Group

	Safety equipment RMB'000	Communication and signalling systems RMB'000	Toll collection equipment RMB'000	Buildings RMB'000	Machinery and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
31 December 2011								
Cost:								
At 1 January 2011	658,855	191,178	162,649	421,335	138,374	83,366	6,365	1,662,122
Additions during the year*	377	1,120	2,402	18,600	37,263	15,660	78,414	153,836
Disposals	–	(313)	(1,000)	(11,291)	(3,672)	(7,165)	–	(23,441)
Transfers	–	–	5,550	7,229	4,903	–	(17,682)	–
At 31 December 2011	659,232	191,985	169,601	435,873	176,868	91,861	67,097	1,792,517
Accumulated depreciation:								
At 1 January 2011	618,163	131,085	112,207	137,804	93,618	46,941	–	1,139,818
Provided during the year	4,521	12,369	8,353	14,049	10,919	6,999	–	57,210
Disposals	–	(304)	(947)	(4,850)	(3,563)	(6,774)	–	(16,438)
At 31 December 2011	622,684	143,150	119,613	147,003	100,974	47,166	–	1,180,590
Net carrying amount:								
At 1 January 2011	40,692	60,093	50,442	283,531	44,756	36,425	6,365	522,304
At 31 December 2011	36,548	48,835	49,988	288,870	75,894	44,695	67,097	611,927

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Group *(Continued)*

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2010								
Cost:								
At 1 January 2010	649,386	199,359	161,391	399,935	166,389	79,971	1,906	1,658,337
Additions during the year	4,385	537	2,413	259	13,033	14,952	41,148	76,727
Disposals	(352)	(11,620)	(7,683)	–	(41,730)	(11,557)	–	(72,942)
Transfers	5,436	2,902	6,528	21,141	682	–	(36,689)	–
At 31 December 2010	658,855	191,178	162,649	421,335	138,374	83,366	6,365	1,662,122
Accumulated depreciation:								
At 1 January 2010	610,862	125,778	107,274	124,991	123,001	52,277	–	1,144,183
Provided during the year	7,631	13,009	12,133	12,813	7,629	5,098	–	58,313
Disposals	(330)	(7,702)	(7,200)	–	(37,012)	(10,434)	–	(62,678)
At 31 December 2010	618,163	131,085	112,207	137,804	93,618	46,941	–	1,139,818
Net carrying amount:								
At 1 January 2010	38,524	73,581	54,117	274,944	43,388	27,694	1,906	514,154
At 31 December 2010	40,692	60,093	50,442	283,531	44,756	36,425	6,365	522,304

* Included in additions during the year, RMB27,000,000 (2010: Nil) was injected by a non-controlling shareholder of a subsidiary.

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2011								
Cost:								
At 1 January 2011	425,090	150,366	122,172	266,645	71,224	42,469	4,867	1,082,833
Additions during the year	377	259	1,301	195	4,467	8,477	74,240	89,316
Disposals	–	(313)	(1,000)	(11,133)	(1,351)	(2,695)	–	(16,492)
Transfers	–	–	4,053	7,229	907	–	(12,189)	–
At 31 December 2011	425,467	150,312	126,526	262,936	75,247	48,251	66,918	1,155,657
Accumulated depreciation:								
At 1 January 2011	396,686	109,086	78,558	84,325	51,365	20,657	–	740,677
Provided during the year	2,129	7,837	7,492	8,788	4,873	3,806	–	34,925
Disposals	–	(304)	(947)	(4,826)	(1,311)	(2,438)	–	(9,826)
At 31 December 2011	398,815	116,619	85,103	88,287	54,927	22,025	–	765,776
Net carrying amount:								
At 1 January 2011	28,404	41,280	43,614	182,320	19,859	21,812	4,867	342,156
At 31 December 2011	26,652	33,693	41,423	174,649	20,320	26,226	66,918	389,881

12. PROPERTY, PLANT AND EQUIPMENT *(Continued)*

Company *(Continued)*

	Safety equipment	Communication and signalling systems	Toll collection equipment	Buildings	Machinery and equipment	Motor vehicles	Construction in progress	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
31 December 2010								
Cost:								
At 1 January 2010	420,554	146,927	121,969	245,342	95,863	41,522	1,765	1,073,942
Additions during the year	178	537	1,307	162	1,223	8,229	38,466	50,102
Disposals	–	–	(7,632)	–	(26,297)	(7,282)	–	(41,211)
Transfers	4,358	2,902	6,528	21,141	435	–	(35,364)	–
At 31 December 2010	425,090	150,366	122,172	266,645	71,224	42,469	4,867	1,082,833
Accumulated depreciation:								
At 1 January 2010	394,837	101,272	74,459	76,565	71,517	24,143	–	742,793
Provided during the year	1,849	7,814	11,258	7,760	5,218	3,146	–	37,045
Disposals	–	–	(7,159)	–	(25,370)	(6,632)	–	(39,161)
At 31 December 2010	396,686	109,086	78,558	84,325	51,365	20,657	–	740,677
Net carrying amount:								
At 1 January 2010	25,717	45,655	47,510	168,777	24,346	17,379	1,765	331,149
At 31 December 2010	28,404	41,280	43,614	182,320	19,859	21,812	4,867	342,156

13. SERVICE CONCESSION ARRANGEMENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Cost:				
At 1 January	**10,968,290**	8,983,325	**9,101,873**	7,247,021
Additions	**2,685,924**	1,984,965	**2,681,041**	1,854,852
At 31 December	**13,654,214**	10,968,290	**11,782,914**	9,101,873
Accumulated amortisation:				
At 1 January	**2,178,410**	1,939,628	**1,789,833**	1,600,325
Charged for the year	**270,620**	238,782	**212,707**	189,508
At 31 December	**2,449,030**	2,178,410	**2,002,540**	1,789,833
Net carrying amount:				
At 1 January	**8,789,880**	7,043,697	**7,312,040**	5,646,696
At 31 December	**11,205,184**	8,789,880	**9,780,374**	7,312,040

(a) At 31 December 2011, the concession rights pertaining to Chengbei Exit Expressway and Chengle Expressway with net carrying amounts of RMB167,937,000 and RMB1,179,656,000 (2010: RMB181,706,000 and RMB1,212,637,000), respectively, were pledged to secure bank loans amounting to RMB78,000,000 and RMB106,400,000 (2010: RMB166,000,000 and RMB106,400,000), respectively (note 26(a)).

13. SERVICE CONCESSION ARRANGEMENTS *(Continued)*

(b) During the year, construction costs of RMB2,604,878,000 (2010: RMB1,620,119,000) were incurred for the Chengren Expressway BOT Project, among which RMB2,604,396,000 (2010: RMB1,620,119,000) is sub-contracted to third party subcontractors. In addition, construction revenue of RMB2,604,891,000 (2010: RMB1,620,119,000) was recognised in respect of the construction service provided by the Group for the Chengren Expressway BOT Project using the percentage of completion method during the year. That construction revenue was included in the additions to service concession arrangements which will be amortised upon the commencement of operation of the Chengren Expressway BOT Project.

At 31 December 2011, the future concession rights to collect toll income from Chengren Expressway with net a carrying amount of RMB4,581,868,000 (2010: RMB1,976,977,000) was pledged to secure the syndicated loan amounting to RMB2,610,162,000 (2010: RMB1,114,110,000)(note 26(a)).

(c) Additions to service concession arrangements during the year include interest capitalised in respect of bank loans amounting to RMB119,050,000 (2010: RMB20,488,000).

14. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Carrying amount at 1 January	**571,878**	605,142	**393,002**	415,942
Recognised during the year	**(32,188)**	(32,223)	**(21,864)**	(21,899)
Disposal	**–**	(1,041)	**–**	(1,041)
Carrying amount at 31 December	**539,690**	571,878	**371,138**	393,002
Portion classified as current assets *(note 23)*	**(32,188)**	(32,188)	**(21,864)**	(21,864)
Non-current portion	**507,502**	539,690	**349,274**	371,138

Prepaid land lease payments represent the cost of land use rights in respect of the Group's leasehold land situated in the Sichuan Province, the PRC, which is held under medium lease terms.

15. INVESTMENTS IN SUBSIDIARIES

	2011	2010
	RMB'000	*RMB'000*
Unlisted investments, at cost	**1,731,817**	1,531,817

The amounts due from/to subsidiaries included in the Company's current assets and current liabilities as at 31 December 2011 and 2010 were unsecured and are repayable on demand or within one year. As at 31 December 2011, amount of RMB1,030,000,000 (2010: Nil) due from subsidiaries bear interests at rates ranging from 4.58% to 5.49%.

Particulars of the Company's subsidiaries, which were established in the PRC as limited liability companies and operate in Mainland China, are as follows:

Name	**Nominal value of issued/ registered capital**	**Percentage of equity attributable to the Company**		**Principal activities**
		Direct	**Indirect**	
	RMB'000			
Chengle Company	560,790	100	–	Construction and operation of Chengle Expressway
Chengbei Company	220,000	60	–	Construction and operation of Chengbei Exit Expressway and Qinglongchang Bridge
Chengdu Shuhai Investment Management Company Limited	200,000	99.9	–	Investment holding
Sichuan Shugong Expressway Engineering Company Limited	70,000	100	–	Repair and maintenance of expressways, construction of roads and expressways

15. INVESTMENTS IN SUBSIDIARIES *(Continued)*

Particulars of the Company's subsidiaries, which were established in the PRC as limited liability companies and operate in Mainland China, are as follows *(Continued)*:

Name	Nominal value of issued/ registered capital *RMB'000*	Percentage of equity attributable to the Company Direct	Percentage of equity attributable to the Company Indirect	Principal activities
Sichuan Shusha Enterprise Company Limited	30,000	100	–	Provision of ancillary services and property development
Sichuan Chengyu Expressway Advertising Company Limited	1,000	–	60	Design and production of advertisements
Sichuan Shugong Road Construction Engineering Testing Company Limited	2,000	–	100	Provision of road, bridge and tunnel inspection services
Sichuan Shunan Investment Management Company Limited	200,000	100	–	Construction project management
Sihuan Zhonglu Energy Company Limited	52,000	–	51	Management of gas stations along expressways
Chengdu Shuhong Property Company Limited	100,000	–	99.9	Construction project management

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Unlisted shares, at cost	**–**	–	**39,428**	39,428
Share of net assets	**73,953**	75,240	**–**	–
Provision for impairment	**(9,163)**	(9,163)	**–**	–
	64,790	66,077	**39,428**	39,428

Particulars of the associates of the Group, which were established in the PRC as limited liability companies and operate in Mainland China, are as follows:

Name	Percentage of equity attributable to the Group 2011	2010	Principal activities
Chengdu Airport Expressway Company Limited	**25**	25	Construction and operation of Chengdu Airport Expressway
Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited	**20**	20	Development and sale of high-tech products
Sichuan Chengya Oil Supply Company Limited	**45**	45	Operation of gas stations
Chengdu Stone Elephant Lake Communication Restaurant Company Limited	**32.4**	32.4	Provision of accommodation, meeting reception and entertainment services
Sichuan Chengyu Asphalt High-tech Company Limited	**45**	45	Sale and production of asphalt, additives, chemical products and architecture materials

None of the above associates is audited by Ernst & Young, Hong Kong or another member firm of the Ernst & Young global network.

16. INVESTMENTS IN ASSOCIATES *(Continued)*

The following table illustrates the summarised financial information of the Group's associates extracted from their financial statements:

	2011	2010
	RMB'000	*RMB'000*
Assets	**536,354**	546,357
Liabilities	**303,707**	304,428
Revenues	**440,806**	359,838
Profit	**42,230**	49,757

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group		**Company**	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Listed equity investment, at fair value:				
Mainland China	**49,104**	67,518	**31,680**	43,560
Unlisted equity investments, at cost	**18,299**	18,299	**17,229**	17,229
	67,403	85,817	**48,909**	60,789

The above investments consisted of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity date or coupon rate.

The unlisted equity investments represent the Group's investments in enterprises domiciled in Mainland China. They are stated at cost less impairment because the range of reasonable fair value estimates is so significant that the directors are of the opinion that their fair value cannot be measured reliably. The Group does not intend to dispose of them in the near future.

18. LONG TERM COMPENSATION RECEIVABLES

Pursuant to a compensation agreement dated 29 December 2006 entered into among the Xindu District Finance Bureau and the Communications Bureau (collectively Xindu District Government, "XDG"), Chengdu Municipal Committee of Communication ("CMCC") and Chengbei Company, a subsidiary of the Company, on 30 December 2006, Chengbei Company disposed of the operating rights of Dajian Road to XDG for a compensation of RMB211,802,000.

The compensation is satisfied by cash and would be settled over 17 annual instalments on the following terms:

(a) An annual instalment of RMB13 million will be paid by XDG to Chengbei Company by 30 June of every year for 16 years from 2007 till 2022; and

(b) The final instalment of RMB3,802,100 will be paid by XDG to Chengbei Company by 30 June 2023.

(c) CMCC, an authorised representative of the Chengdu Municipal Government responsible for the financing of XDG, guaranteed the payment of annual instalments. In the event of default in payment, CMCC agrees that it will deduct the default amount from the annual finance funds allocated to XDG and pay it to Chengbei Company directly.

(d) Additional compound interest at a rate of 0.021% per day should be levied on the delay in payment.

The compensation can be analysed as follows:

	2011			2010		
	Compensation	**Imputed interest**	**Net present value**	Compensation	Imputed interest	Net present value
	RMB'000	***RMB'000***	***RMB'000***	*RMB'000*	*RMB'000*	*RMB'000*
Receivables:						
Within one year	**13,000**	**10,011**	**2,989**	13,000	10,377	2,623
In the second to fifth years, inclusive	**52,000**	**35,265**	**16,735**	52,000	37,309	14,691
Beyond five years	**81,802**	**29,605**	**52,197**	94,802	37,572	57,230
	146,802	**74,881**	**71,921**	159,802	85,258	74,544
Portion classified as current assets *(note 23)*			**(2,989)**			(2,623)
Non-current portion			**68,932**			71,921

As the compensation will be paid by instalments over 17 years, the Group calculated the discounted value of the compensation receivables in future using an imputed rate of interest of 13.92% per annum. The imputed rate of interest adopted reflects risk premium accounted for after considering the credit risk incurred due to the fact that the compensation will be paid over 17 years.

19. PAYMENTS IN ADVANCE

As at 31 December 2011, payments in advance consisted of RMB480,946,000 (2010: RMB370,707,000) and RMB4,041,000 (2010: Nil) paid by the Company to independent subcontractors before the commencement of the construction works for the construction of the Chengren Expressway BOT Project and the upgrading projects of rest and service areas along the existing expressways, respectively. The balance of RMB44,380,000 as at 31 December 2010 paid by the Company to Renshou County People's Government and Shuangliu County People's Government for resettlement of residents and removal of obstacles, was included in the additions to service concession arrangements in respect of the Chengren Expressway BOT Project during the year.

20. DEFERRED TAX

The movements in deferred tax assets and liabilities during the year are as follows:

Deferred tax assets

Group and Company

	Deferred income
	RMB'000
At 1 January 2010	–
Deferred tax credited to profit or loss during the year *(note 9)*	354
At 31 December 2010 and 1 January 2011	354
Deferred tax charged to profit or loss during the year *(note 9)*	(21)
At 31 December 2011	333

20. DEFERRED TAX *(Continued)*

Deferred tax liabilities

Group

	Fair value adjustment arising from available-for-sale investments *RMB'000*	Accelerated amortisation for tax purpose *RMB'000*	Total *RMB'000*
At 1 January 2010	–	–	–
Deferred tax charged to profit or loss during the year *(note 9)*	–	7,487	7,487
Deferred tax charged to reserves during the year	9,323	–	9,323
At 31 December 2010 and 1 January 2011	9,323	7,487	16,810
Deferred tax credited to profit or loss during the year *(note 9)*	–	(3,002)	(3,002)
Deferred tax credited to reserves during the year	(5,822)	–	(5,822)
At 31 December 2011	3,501	4,485	7,986

Company

	Fair value adjustment arising from available-for-sale investments *RMB'000*
At 1 January 2010	–
Deferred tax charged to reserves during the year	6,015
At 31 December 2010 and 1 January 2011	6,015
Deferred tax credited to reserves during the year	(4,188)
At 31 December 2011	1,827

20. DEFERRED TAX (Continued)

For the purpose of the consolidated statement of financial position presentation, certain deferred tax assets and liabilities have been offset. The following is an analysis of the deferred tax balances of the Group for reporting purposes:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Gross deferred tax assets	**(333)**	(354)	**(333)**	(354)
Gross deferred tax liabilities	**7,986**	16,810	**1,827**	6,015
Net deferred tax liabilities	**7,653**	16,456	**1,494**	5,661

21. INVENTORIES

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Refined oil products	**4,656**	–	**–**	–
Spare parts and consumable suppliers	**22,294**	11,907	**197**	197
	26,950	11,907	**197**	197

22. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2011	2010
	RMB'000	*RMB'000*
Contract costs incurred plus recognised profits less recognised losses to date	**1,121,256**	–
Less: Progress billings	**(183,157)**	–
Construction contracts in progress	**938,099**	–
Representing:		
Amount due from a customer for contract work	**938,099**	–

As at 31 December 2011, the amount due from a customer for contract work represented an amount due from Communication Bureau of Shuangliu County ("CBSC") in respect of the construction of roads within Renbao Park, Tianfu New District, Shuangliu County, Chengdu in the form of built-transfer model (the "Shuangliu Renbao BT Project"). Further details are included in note 23 to the financial statements below.

23. TRADE AND OTHER RECEIVABLES

	Notes	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Trade receivables					
Trade receivables		**128,937**	14,333	**–**	–
Impairment		**–**	–	**–**	–
Trade receivables, net	(a)	**128,937**	14,333	**–**	–
Other receivables					
Other receivables	(b)	**845,360**	164,452	**43,747**	59,598
Impairment		**(112,762)**	(113,342)	**(30,321)**	(30,901)
		732,598	51,110	**13,426**	28,697
Deposits	(c)	**80,707**	10,000	**21,122**	10,000
Prepayments	(d)	**47,770**	35,488	**27,045**	24,961
Other receivables, net		**861,075**	96,598	**61,593**	63,658
Total trade and other receivables		**990,012**	110,931	**61,593**	63,658
Non-current portion	(b)(iii)	**(72,000)**	–	**–**	–
Current portion		**918,012**	110,931	**61,593**	63,658

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(a) The Group's trade receivables which arose from construction contracts are settled in accordance with the terms specified in the contracts governing the relevant construction works and are non-interest-bearing. The Group does not have a standardised and universal credit period granted to its construction contract customers. The credit period of an individual construction contract customer is considered on a case-by-case basis and is set out in the construction contracts, as appropriate.

An aged analysis of the trade receivables as at the end of the reporting period, based on the invoice date and net of provisions, is as follows:

	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**121,863**	515
3 to 6 months	**–**	13,596
6 to 12 months	**–**	–
Over one year	**7,074**	222
	128,937	14,333

The aged analysis of the trade receivables that are not individually nor collectively considered to be impaired is as follows:

	2011	2010
	RMB'000	*RMB'000*
Neither past due nor impaired	**123,205**	14,111
Past due but not impaired:		
Within 3 months	**–**	–
3 to 6 months	**1,835**	–
6 to 12 months	**3,675**	–
Over one year	**222**	222
	128,937	14,333

Receivables that were neither past due nor impaired relate to government authorities and a number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good payment record with the Group. Based on past experience, in the opinion of the directors, no impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) The Group's other receivables at 31 December 2011 mainly include the following balances:

		Group	
	Notes	**2011** **RMB'000**	2010 RMB'000
Relating to construction projects of:			
— Shuangliu Renbao BT Project	(i)	**567,643**	–
— Renshou Road Connection Line Project	(ii)	**57,899**	–
— Renshou Land-linked Pilot Project	(iii)	**74,308**	–
Long-term compensation receivables *(note 18)*		**2,989**	2,623
Others		**142,521**	161,829
		845,360	164,452

(i) As stipulated in two separate agreements entered into between the Group and CBSC in respect of Shuangliu Renbao BT Project ("the Renbao Agreements"), the Group is required to provide temporary advances up to RMB554,700,000 to CBSC for the resettlement of residents and removal of obstacles works performed by CBSC. Such advances bear an interest by reference to the benchmark interest rate promulgated by the PBOC plus 1% per annum. As at 31 December 2011, the receivable from CBSC consisted of advances made by the Group and related interest arising from such advances amounting to RMB540,424,000 and RMB27,219,000 (note 5), respectively. Pursuant to the Renbao Agreements, the receivable from CBSC will be settled upon completion of the Shuangliu Renbao BT Project, which is expected to be completed in June 2012.

(ii) Pursuant to an agreement entered into between the Group and the Leading Group Office of the Key Transport Construction Projects of Renshou (the "Leading Office"), an authorised governmental body of Renshou County, Meishan City, Sichuan (the "Renshou Road Connection Line Agreement"), the Group was selected as the main contractor and is responsible for the construction of Renshou Road Connection Line (the "Renshou Road Connection Line Project"). As stipulated in the Renshou Road Connection Line Agreement, the Group is required to provide temporary advances up to RMB60,000,000 to the Leading Office for the resettlement of residents and removal of obstacles works performed. Such advances will be settled within one year from the date when first payment was made by the Group and bear an interest at a rate of 10% per annum. As at 31 December 2011, the Group has made advances of RMB54,100,000 to the Leading Office, and the related interest arising from such advances amounted to RMB3,799,000 (note 5).

As at 31 December 2011, the receivable arose from the Renshou Road Connection Line Project of RMB88,998,000 (2010: Nil) was included in the trade receivable balance in note (a) above.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(b) The Group's other receivables at 31 December 2011 mainly include the following balances: *(Continued)*

(iii) Pursuant to an agreement entered into between the Group and Land and Resource Bureau of Renshou County ("LRBRC"), an authorised governmental body of Renshou County, Meishan City, Sichuan (the "Renshou Land-linked Pilot Agreement"), the Group was selected as the main contractor for the construction of the Renshou land-linked pilot project in Renshou County (the "Renshou Land-linked Pilot Project). As stipulated in the Renshou Land-linked Pilot Agreement, the Group is required to provide temporary advances up to RMB90,270,000 to LRBRC for the resettlement of residents and removal of obstacles works performed. Such advances will be settled within one year from the date when first payment was made by the Group and bear an interest at a rate of 10% per annum. As at 31 December 2011, the Group has made advances of RMB72,000,000 to LRBRC, which will be settled upon completion of the Renshou Land-linked Pilot Project in 2013, and the related interest arising from such advances amounted to RMB2,308,000 (note 5), which will be collected within 12 months from 31 December 2011.

The movements in provision for individually impaired other receivables are as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
At 1 January	**113,342**	129,151	**30,901**	38,014
Impairment losses reversed *(note 6)*	**(580)**	(15,809)	**(580)**	(7,113)
At 31 December	**112,762**	113,342	**30,321**	30,901

The individually impaired other receivables relate to debtors that were in financial difficulties and only a portion of the receivables is expected to be recovered.

The aged analysis of the other receivables that are not considered to be impaired is as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Neither past due nor impaired	**732,598**	51,110	**13,426**	28,697

Receivables that were neither past due nor impaired related to a large number of diversified debtors for whom there was no recent history of default.

23. TRADE AND OTHER RECEIVABLES *(Continued)*

(c) The Group's deposits at 31 December 2011 mainly include the following items:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Performance guarantee deposits in respect of:				
– Shuangliu Renbao BT Project	**59,208**	–	**–**	–
– Suiguang-Suixi Expressways BOT Project *(as defined in note 34)*	**10,000**	–	**10,000**	–
Bidding deposit in respect of:				
– Chengren Expressway BOT Project	**10,522**	10,000	**10,522**	10,000
Others	**977**	–	**600**	–
	80,707	10,000	**21,122**	10,000

(d) Prepayments of the Group and the Company at 31 December 2011 included prepaid land lease payments to be recognised within one year of RMB32,188,000 (2010: RMB32,188,000) and RMB21,864,000 (2010: RMB21,864,000), respectively (note 14).

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Cash and bank balances	**1,652,191**	1,015,684	**1,335,109**	754,461
Time deposits	**136,749**	268,035	**20,522**	10,000
	1,788,940	1,283,719	**1,355,631**	764,461
Less: Pledged time deposits for:				
Chengren Expressway BOT Project	**(10,522)**	(10,000)	**(10,522)**	(10,000)
Suiguang-Suixi Expressways BOT Project *(note 34)*	**(10,000)**	–	**(10,000)**	–
Cash and cash equivalents	**1,768,418**	1,273,719	**1,335,109**	754,461

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS *(Continued)*

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB and Hong Kong dollars amounted to RMB1,788,897,000 (2010: RMB1,283,690,000) and RMB43,000 (2010: RMB29,000), respectively. The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rates. Time deposits are made for varying periods of between three months and six months, and earn interest at the respective deposit rates. The bank balances and time deposits are deposited with creditworthy banks with no recent history of default.

25. TRADE AND OTHER PAYABLES

		Group		Company	
		2011	2010	**2011**	2010
	Note	***RMB'000***	*RMB'000*	***RMB'000***	***RMB'000***
Trade payables	(a)	**416,294**	122,950	**–**	–
Other payables	(b)	**1,327,743**	537,269	**1,191,568**	420,023
Accruals	(c)	**79,183**	1,704	**78,985**	1,530
		1,823,220	661,923	**1,270,553**	421,553

(a) An aged analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	Group	
	2011	2010
	RMB'000	*RMB'000*
Within 3 months	**369,004**	114,234
3 to 6 months	**5,135**	5,852
6 to 12 months	**41,057**	2,318
Over 1 year	**1,098**	546
	416,294	122,950

The trade payables are non-interest-bearing and are normally settled within one to twelve months.

25. TRADE AND OTHER PAYABLES *(Continued)*

(b) Other payables at 31 December 2011 mainly included the following balances:

(i) Progress billing payables of RMB802,881,000 (2010: RMB101,383,000) in respect of the construction of the Chengren Expressway BOT Project; and

(ii) Retention payables and deposits of RMB214,897,000 (2010: RMB167,216,000) in respect of the construction of the Chengren Expressway BOT Project, among which a performance guarantee deposit of approximately RMB33,773,000 (2010: RMB97,388,000) received from subcontractors bears interest at a rate of 0.50% (2010: 0.36%) per annum.

(c) The balance represented interest accrued in respect of short term commercial papers of RMB73,789,000 (2010: Nil) and interest-bearing bank loans of RMB5,394,000 (2010: RMB1,704,000), respectively.

Except for the performance guarantee deposit and retention payables which have a longer term of approximately two years, other payables are non-interest-bearing and have an average term of three months.

26. INTEREST-BEARING BANK AND OTHER LOANS

		Group		**Company**	
		2011	2010	**2011**	2010
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	***RMB'000***
Bank loans:	(a)				
Secured and guaranteed		**106,400**	106,400	**–**	–
Secured		**2,688,162**	1,280,110	**2,610,162**	1,114,110
Guaranteed		**10,000**	–	**–**	–
Unsecured		**350,000**	1,200,000	**300,000**	1,200,000
Short term commercial papers	(b)	**2,000,000**	–	**2,000,000**	–
Other loans, unsecured	(c)	**65,909**	88,636	**65,909**	88,636
		5,220,471	2,675,146	**4,976,071**	2,402,746

26. INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

	Notes	Group 2011 RMB'000	Group 2010 RMB'000	Company 2011 RMB'000	Company 2010 RMB'000
Analysed into:					
Bank loans repayable:					
Within one year		**77,000**	1,275,000	**–**	1,200,000
In the second year		**113,000**	30,000	**100,000**	–
In the third to fifth years, inclusive		**1,246,125**	759,750	**1,198,125**	698,750
Beyond five years		**1,718,437**	521,760	**1,612,037**	415,360
		3,154,562	2,586,510	**2,910,162**	2,314,110
Short term commercial papers repayable:					
Within one year		**2,000,000**	–	**2,000,000**	–
Other loans repayable:					
Within one year		**22,727**	22,727	**22,727**	22,727
In the second year		**22,727**	22,727	**22,727**	22,727
In the third to fifth years, inclusive		**20,455**	43,182	**20,455**	43,182
		65,909	88,636	**65,909**	88,636
Total bank and other loans		**5,220,471**	2,675,146	**4,976,071**	2,402,746
Portion classified as current liabilities		**(2,099,727)**	(1,297,727)	**(2,022,727)**	(1,222,727)
Non-current portion		**3,120,744**	1,377,419	**2,953,344**	1,180,019

At the end of the reporting period, all interest-bearing bank and other loans of the Group were denominated in RMB.

26. INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

(a) Bank loans were secured and guaranteed by:

		Group		Company	
		2011	2010	**2011**	2010
	Notes	***RMB'000***	*RMB'000*	***RMB'000***	***RMB'000***
			(Bank loans amount)		
Secured by concession rights of:					
Chengbei Exit Expressway *(note 13(a))*	(i)	**78,000**	166,000	**–**	–
Chengle Expressway *(note 13(a))*	(ii)	**106,400**	106,400	**–**	–
Chengren Expressway *(note 13(b))*		**2,610,162**	1,114,110	**2,610,162**	1,114,110
		2,794,562	1,386,510	**2,610,162**	1,114,110

(i) Chengdu Highway Development Company Limited, the non-controlling shareholder of Chengbei Company has guaranteed the Group's bank loan of RMB10,000,000 (2010: Nil) for nil consideration (note 32(d)).

(ii) The bank loan was also guaranteed by Sichuan Highway Development for nil consideration (note 32(d).

The bank loans bear interest at the respective fixed rates ranging from 5.27% to 6.56% (2010: from 4.86% to 5.35%) per annum.

(b) On 17 March 2011, the Company issued short term commercial papers totalling RMB2 billion to domestic institutional investors participating in the PRC interbank debt market. The short term commercial papers were issued at a par value of RMB100 per unit, with an interest rate of 4.58% per annum, and were repaid on 16 March 2012.

(c) Other loans are unsecured and bear interest at rates ranging from 2.82% to 5.00% (2010: from 2.82% to 5.00%) per annum.

26. INTEREST-BEARING BANK AND OTHER LOANS *(Continued)*

The carrying amounts of the Group's and the Company's current portion of bank and other loans approximate to their fair values. The fair values of the Group's and the Company's bank and other loans (non-current portion) are as follows:

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Group				
Bank loans	**3,077,562**	1,311,510	**2,817,270**	1,223,634
Other loans	**43,182**	65,909	**38,633**	59,477
	3,120,744	1,377,419	**2,855,903**	1,283,111

	Carrying amounts		Fair values	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Company				
Bank loans	**2,910,162**	1,114,110	**2,667,118**	1,038,476
Other loans	**43,182**	65,909	**38,633**	59,477
	2,953,344	1,180,019	**2,705,751**	1,097,953

27. ISSUED CAPITAL

	2011	2010
	RMB'000	*RMB'000*
Authorised, issued and fully paid:		
A Shares of 2,162,740,000 (2010: 2,162,740,000) of RMB1.00 each	**2,162,740**	2,162,740
H Shares of 895,320,000 (2010: 895,320,000) of RMB1.00 each	**895,320**	895,320
	3,058,060	3,058,060

The H Shares have been issued and listed on the main board of the Hong Kong Stock Exchange since October 1997 and the A Shares have been listed on the Shanghai Stock Exchange since July 2009.

All A and H Shares rank pari passu with each other in terms of dividend and voting rights.

28. RESERVES

Group

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity of the financial statements.

Merger difference

The merger difference of the Group is resulted from the preparation of the Group's consolidated financial statements. It represents the difference between the consideration paid for the acquisition of Chengle Company, after netting off the nominal value of the issued capital of Chengle Company attributable to the then owners of Chengle Company. Prior to the acquisition of Chengle Company, the merger difference represents the nominal value of the issued capital of Chengle Company attributable to the then owners of Chengle Company.

Company

	Share premium account *RMB'000*	Statutory surplus reserve *RMB'000*	General surplus reserve *RMB'000*	Retained profits *RMB'000*	Available-for-sale investment revaluation reserve *RMB'000*	Difference arising from the acquisition of non-controlling interests *RMB'000*	Total *RMB'000*
At 1 January 2010	2,654,601	690,582	584,476	810,860	–	(244,529)	4,495,990
Total comprehensive income for the year	–	–	–	943,726	18,047	–	961,773
Transfer from/(to) reserves	–	94,586	189,172	(283,758)	–	–	–
Proposed final 2010 dividend *(note 29)*	–	–	–	(266,051)	–	–	(266,051)
At 31 December 2010 and 1 January 2011	2,654,601	785,168	773,648	1,204,777	18,047	(244,529)	5,191,712
Total comprehensive income for the year	–	–	–	1,070,217	(7,692)	–	1,062,525
Transfer from/(to) reserves	–	107,004	321,011	(428,015)	–	–	–
Proposed final 2011 dividend *(note 29)*	–	–	–	(275,225)	–	–	(275,225)
At 31 December 2011	2,654,601	892,172	1,094,659	1,571,754	10,355	(244,529)	5,979,012

28. RESERVES *(Continued)*

(a) In accordance with the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, the Company, its subsidiaries and associates are required to allocate 10% of their profits after tax, as determined in accordance with PRC GAAP applicable to the Company, its subsidiaries and associates, to the statutory surplus reserve (the "SSR") until such reserve reaches 50% of the registered capital of the Company, its subsidiaries and associates. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Company, its subsidiaries and associates, part of the SSR may be converted to increase the share capital of the Company, its subsidiaries and associates, provided that the remaining balance after the capitalisation is not less than 25% of the registered capital.

(b) According to the relevant regulations in the PRC, the amount of reserves available for distribution is the lower of the amount determined under PRC GAAP and the amount determined under HK GAAP. As at 31 December 2011, the Company's reserves available for distribution to shareholders amounted to RMB1,846,979,000, as calculated in accordance with HK GAAP. The Company's distributable reserves as at 31 December 2011 determined under HK GAAP were lower than those determined under PRC GAAP.

29. DIVIDEND

	2011 **RMB'000**	2010 *RMB'000*
Proposed final — RMB0.090 (2010: RMB0.087) per ordinary share	**275,225**	266,051

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

30. OPERATING LEASE ARRANGEMENTS

(a) As lessor — the Group

In prior years, the Group leased certain parcel of its land along Chengyu Expressway under operating lease arrangements for the operation of petrol stations, with a lease term of 20 years. Pursuant to the agreement entered into between the Group and China National Petroleum Corporation ("CNPC"), a new subsidiary namely Sichuan Zhonglu Energy Co., Ltd. was established by the Group in April 2011 and took over the rights of operation of the gas stations from the lessee. Thus, operating lease agreements were ceased accordingly.

	2010 *RMB'000*
Within one year	5,066
In the second to fifth years, inclusive	20,264
After five years	50,660
	75,990

(b) As lessee

The Group has entered into commercial leases on certain land and office buildings as it is not in the best interest of the Group to purchase these assets. These leases have an average life of 1 to 22.5 years.

At 31 December 2011, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		**Company**	
	2011 ***RMB'000***	2010 *RMB'000*	**2011** ***RMB'000***	2010 ***RMB'000***
Within one year	**22,864**	21,824	**12,687**	12,687
In the second to fifth years, inclusive	**82,525**	84,081	**46,946**	50,746
After five years	**201,955**	218,583	**115,526**	128,212
	307,344	324,488	**175,159**	191,645

31. COMMITMENTS

In addition to the operating lease commitments detailed in note 30(b) above, the Group and the Company had the following capital commitments at the end of the reporting period:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	***RMB'000***
Contracted, but not provided for	**1,625,939**	2,314,168	**1,625,939**	2,312,968
Authorised, but not contracted for	**3,043,167**	2,887,879	**2,916,293**	2,887,879
	4,669,106	5,202,047	**4,542,232**	5,200,847

Further details of the capital commitments of the Group and the Company as at 31 December 2011 are analysed as follows:

	Group		Company	
	2011	2010	**2011**	2010
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
In respect of:				
Construction works to upgrade the expressways	**144,928**	25,365	**123,278**	24,165
Construction works to upgrade properties along the expressways	**192,395**	–	**192,395**	–
Construction works to upgrade gas stations along the expressways	**65,510**	–	**–**	–
Chengren Expressway BOT Project	**2,724,849**	5,176,349	**2,724,849**	5,176,349
Suiguang-Suixi Expressways BOT Project	**1,410,000**	–	**1,410,000**	–
Purchase of property, plant and equipment	**131,424**	333	**91,710**	333
	4,669,106	5,202,047	**4,542,232**	5,200,847

32. RELATED PARTY TRANSACTIONS

In addition to the transactions and balances detailed elsewhere in the financial statements, the Group had the following transactions with related parties during the year:

(a) In previous years, the Group obtained state loans amounting to RMB250,000,000 in aggregate pursuant to the loan repayment agreements (the "Loan Repayment Agreements") entered into between the Company and Sichuan Highway Development. Sichuan Highway Development is the predecessor parent and ultimate holding company of the Company. After the Share Transfer, both the Company and Sichuan Highway Development are controlled by STI Group. The state loans were originally made to the Sichuan Provincial Government through the Ministry of Finance for infrastructure development of the Sichuan Province. For the purpose of financing the construction of Chengya Expressway, Sichuan Highway Development had initially obtained the state loans, and pursuant to the Loan Repayment Agreements, the state loans were then transferred to the Group. During the year, the Group repaid part of the state loans amounting to RMB22,727,000 (2010: RMB22,727,000). The state loans have been included in other loans as set out in note 26 to the financial statements.

(b) During the year, the aggregate service fee payable to Sichuan Zhineng Transportation System Management Company Limited, a subsidiary of Sichuan Highway Development, in relation to the provision of a computer system on highway networks toll fee collection and supportive technological services to the Group amounted to approximately RMB9,623,000 (2010: RMB9,322,000).

(c) On 1 February 2004, Chengle Company entered into a five year tenancy agreement (the "First Tenancy Agreement") with Sichuan Highway Development, whereby Sichuan Highway Development leased out certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy agreement was extended at an annual rental of RMB1,138,000 for another five years when the First Tenancy Agreement expired on 31 January 2009. During the year, the rental payable to Sichuan Highway Development amounted to RMB1,138,000 (2010: RMB1,138,000).

(d) At 31 December 2011, bank loans of Chengle Company and Chengbei Company aggregating RMB106,400,000 (2010: RMB106,400,000) and RMB10,000,000 (2010: RMB: Nil) respectively were guaranteed by Sichuan Highway Development and Chengdu Highway Development Company Limited (note 26(a)). The bank loans were guaranteed for nil consideration.

(e) On 1 October 2010, the Company entered into a one year tenancy agreement with STI Group whereby the Company leased out a certain part of its office buildings to STI Group at an annual rental of RMB2,035,000. The tenancy agreement was extended at the same annual rental for another one year when the tenancy agreement expired on 1 October 2011. During the year, the rental received from STI Group amounted to RMB2,035,000 (2010: Nil).

32. RELATED PARTY TRANSACTIONS *(Continued)*

(f) Compensation of key management personnel of the Group:

	2011 **RMB'000**	2010 RMB'000
Fees	**240**	240
Other emoluments:		
Salaries, allowances and benefits in kind	**4,330**	4,399
Pension scheme contributions	**167**	205
Supplementary pension scheme contributions	**257**	245
	4,754	4,849
Total compensation paid to key management personnel	**4,994**	5,089

Further details of directors' emoluments are included in note 8 to the financial statements.

These transactions were carried out in accordance with the terms of agreements governing such transactions.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments comprise interest-bearing bank and other loans, and cash and short term deposits. The main purpose of these financial instruments is to raise finance for the Group's operations. It is the Group's policy that no trading in financial instruments shall be undertaken.

Risk management is carried out by the finance department which is led by the Group's executive directors. The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Interest rate risk

The interest rates and terms of repayment of interest-bearing bank and other loans are disclosed in note 26. The Group does not have any significant exposure to the risk of changes in market interest rates as the Group does not have any long term receivables which are subject to floating interest rate.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk

The Group monitors its risk to a shortage of funds using a recurring liquidity planning tool. This tool considers the maturity of both its financial instruments and financial assets and projected cash flows from operations.

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of interest-bearing bank and other loans and short term commercial papers.

The Group's net current liabilities amounted to approximately RMB447,052,000 as at 31 December 2011.

With regard to 2011 and thereafter, the liquidity of the Group is primarily dependent on its ability to maintain adequate cash flows from operations to meet its debt obligations as they fall due.

The maturity profile of the Group's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Group

	2011					
	On demand	**Less than 3 months**	**3 to 12 months**	**1 to 5 years**	**Over 5 years**	**Total**
	RMB'000	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Interest-bearing bank and other loans	**–**	**2,086,458**	**216,973**	**1,993,918**	**2,040,079**	**6,337,428**
Trade and other payables	**1,466,721**	**79,183**	**33,773**	**179,008**	**–**	**1,758,685**
	1,466,721	**2,165,641**	**250,746**	**2,172,926**	**2,040,079**	**8,096,113**

	2010					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other loans	–	37,444	1,360,996	1,108,580	576,946	3,083,966
Trade and other payables	470,580	–	–	189,639	–	660,219
	470,580	37,444	1,360,996	1,298,219	576,946	3,744,185

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Liquidity risk *(Continued)*

The maturity profile of the Company's financial liabilities as at the end of the reporting period, based on the contractual undiscounted payments, is as follows:

Company

	2011					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other loans	–	2,065,967	148,060	1,903,535	1,914,431	6,031,993
Other payables	979,430	78,984	33,773	163,088	–	1,255,275
Due to subsidiaries	94,487	–	–	–	–	94,487
	1,073,917	2,144,951	181,833	2,066,623	1,914,431	7,381,755

	2010					
	On demand	Less than 3 months	3 to 12 months	1 to 5 years	Over 5 years	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Interest-bearing bank and other loans	–	33,840	1,275,177	985,598	444,913	2,739,528
Other payables	241,700	–	–	178,323	–	420,023
Due to subsidiaries	153,817	–	–	–	–	153,817
	395,517	33,840	1,275,177	1,163,921	444,913	3,313,368

Credit risk

The long term compensation receivables from XDG do not expose the Group to any additional credit risk as the credit risk associated has been factored in the imputed interest rate used for discounting the value of the compensation receivables in future to its carrying amount. As the Group's major customers in the construction contracts segment are the PRC governmental agencies and other state-owned enterprises, the Group believes that they are reliable and of high credit quality and hence, there is no significant credit risk with these customers. The credit risk of the Group's other financial assets, which comprise cash and bank balances, available-for-sale financial assets and other receivables, arises from default of the counterparty, with a maximum exposure equal to the carrying amounts of these instruments.

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(Continued)*

Fair values

The fair values of the Group's financial instruments are not materially different from their carrying amounts. Fair value estimates are made at a specific point in time and based on relevant market information and information about the financial instruments. These estimates are subjective in nature, involve uncertainties and matters of significant judgement and therefore cannot be determined with precision. Changes in assumptions could significantly affect the estimates.

Capital management

The primary objectives of the Group's capital management are to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 31 December 2011 and 31 December 2010.

The Group monitors capital using a gearing ratio, which is the Group's total liabilities over its total assets. The Group's policy is to keep the gearing ratio at a healthy capital level in order to support its businesses. The Group's gearing ratio as at 31 December 2011 was 43.3% (2010: 29.2%)

34. SIGNIFICANT EVENT

On 21 November 2011, the Board passed a resolution, which approved and confirmed the investment in and construction of Suining-Guang'an Expressway and Suining-Xichong Expressway project in the form of Build-Operate-Transfer (the "Suiguang-Suixi Expressways BOT Project"). On 13 December 2011, the Company was selected as the preferred bidder in a public tender jointly organised by the People's Government of Suining City, the People's Government of Guangan City and the People's Government of Nanchong City (collectively the "Joint Tender Organisers").

34. SIGNIFICANT EVENT (Continued)

As the winning bidder of the Suiguang-Suixi Expressways BOT Project, the Company will enter into a series of formal agreements with the Joint Tender Organisers subject to further negotiations. Pursuant to a series of bidding documents, particulars of the Suiguang-Suixi Expressways BOT Project are summarised as follows:

Total length:	Approximately 163 kilometres
Commencement date of the construction:	Around the first half year of 2012
Proposed commencement date of the operation:	Around the first half year of 2015
Period of operation:	29 years and 336 days since the date when the expressway commences to charge toll fees
Estimated total investment:	Approximately RMB12.284 billion
Expected source of fund:	Comprise the Company's internal resources, bank loans and other appropriate financing activities

As stipulated in the agreement entered into between the Company and the Joint Tender Organisers (the "Suiguang-Suixi Agreement"), the Company is required to set aside a performance guarantee deposit of RMB20,000,000, of which RMB10,000,000 was paid by the Company to the Joint Tender Organisers (note 23) and the remaining RMB10,000,000 was satisfied by the pledge of the Company's time deposits (note 24) .

35. EVENTS AFTER THE REPORTING PERIOD

As at the date of approval of the financial statements, the Group has no events after the reporting period that needs to be disclosed.

36. COMPARATIVE AMOUNTS

Certain comparative amounts have been reclassified to conform with current year's presentation.

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 March 2012.