



Sichuan Expressway Company Limited

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

(Stock Code: 00107)



2012 Annual Report

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DEFINITIONS

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 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

DEFINITIONS *(Continued)*

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
Suiguang Suixi Company	Sichuan Suiguang Suixi Expressway Company Limited
Zhonglu Energy Company	Sichuan Zhonglu Energy Company Limited

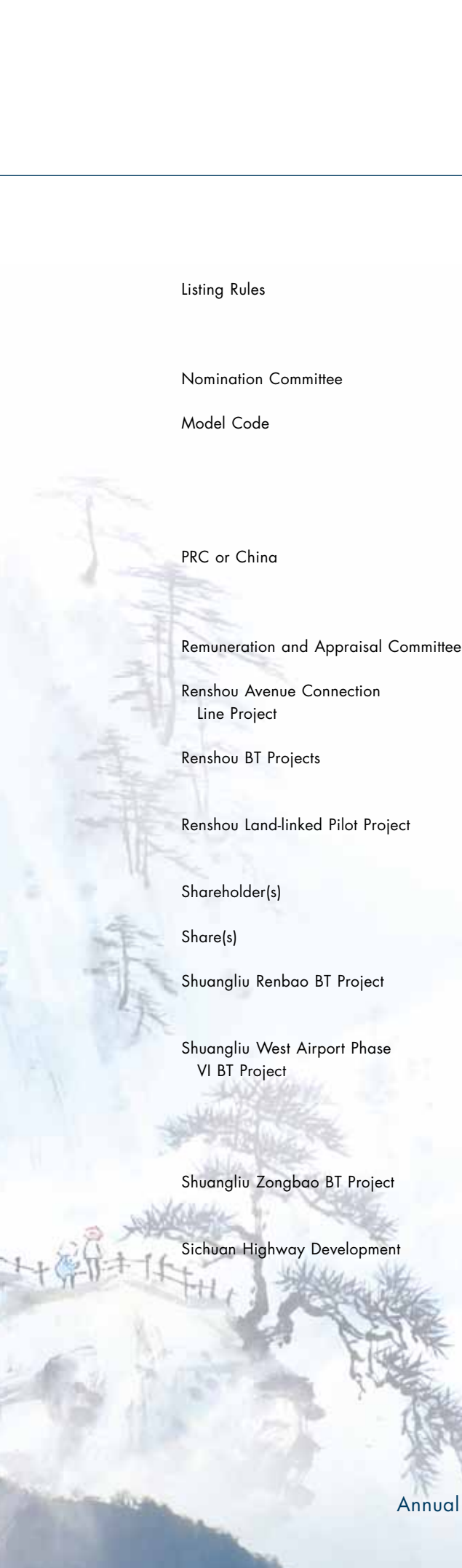
In this annual report, the English names of the PRC entities are translations of their Chinese names and included herein for identification purposes only. In the event of any inconsistency between the Chinese and English names, the Chinese names shall prevail.

DEFINITIONS *(Continued)*

III. Others

2012 AGM	the 2012 annual general meeting of the Company to be held on 28 May 2013 (Tuesday), notice of which will be published on the Stock Exchange's website and despatched to the Shareholders on 12 April 2013 (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
Articles of Association	the articles of association of the Company ,as amended time from time
associate(s)	has the meaning ascribed thereto under the Listing Rules of the Stock Exchange
associated corporation(s)	has the meaning ascribed thereto under the SFO
Audit Committee	the Audit Committee of the Company
Board	the Board of Directors of the Company
Chengren Expressway BOT Project	the project of Chengren Expressway in the form of BOT (build-operate-transfer)
Company	Sichuan Expressway Company Limited
CSRC	China Securities Regulatory Commission
Director(s)	director(s) of the Company
Dividend Entitlement Date	4 June 2013 (Tuesday), the date on which the Shareholders whose names appear on the H Shares register of member of the Company shall be entitled to the 2012 final dividend of the Company (if approved by the Shareholders at the 2012 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), a substantial shareholder of the Company

DEFINITIONS (Continued)



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)
Nomination Committee	the Nomination Committee of the Company
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules of the Stock Exchange, which has been adopted by the Company as the code of conduct for securities transactions by the Directors and the Supervisors of the Company
PRC or China	The People's Republic of China, for the purpose of this annual report, excluding Hong Kong, the Macau Special Administrative Region and Taiwan
Remuneration and Appraisal Committee	the Remuneration and Appraisal Committee of the Company
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)
Shareholder(s)	holder(s) of Shares
Share(s)	A Share(s) and/or H Share(s) (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 tenderer of this project
Shuangliu Zongbao BT Project	the Phase I road project within Zongbao ancillary area at Shuangliu County, Chengdu City in the form of BT (build-transfer)
Sichuan Highway Development	Sichuan Highway Development Holding Company, a subsidiary of STI Group

DEFINITIONS *(Continued)*

SFO	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
SSE	Shanghai Stock Exchange
STI Group	Sichuan Transportation Investment Group Corporation, the controlling shareholder of the Company
Strategic Committee	the Strategic Committee 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)
Supervisor(s)	supervisor(s) of the Company
Supervisory Committee	Supervisory Committee of the Company
Trading Landmark	Sichuan Trading Landmark Company Limited
Trading Industry	Sichuan Trading Industry Company Limited
Year or Reporting Period	the 12 months ended 31 December 2012

CORPORATE INFORMATION

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	Zhou Liming
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

CORPORATE INFORMATION *(Continued)*

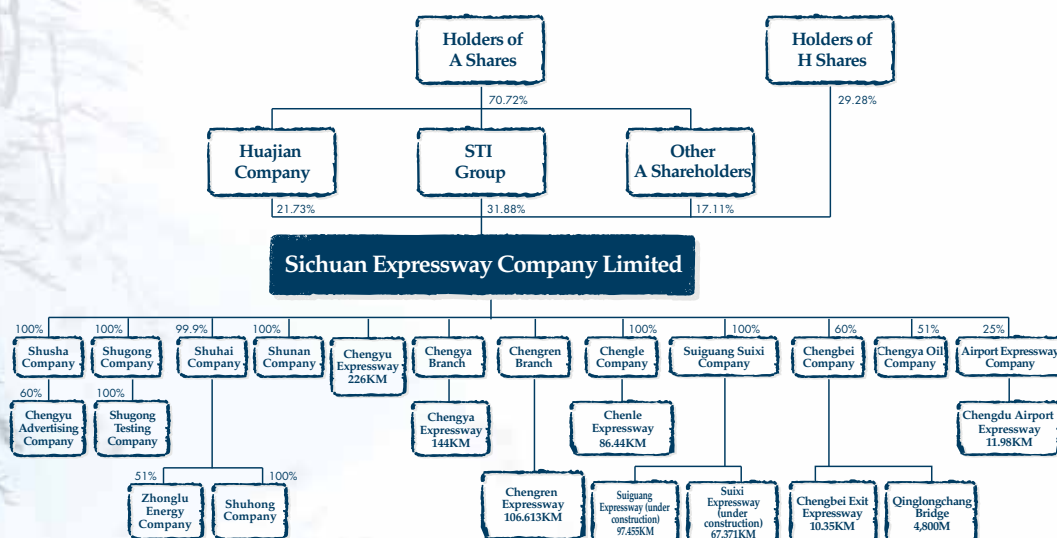
International Auditor	Ernst & Young Certified Public Accountants 18/F, Two International Finance Centre, 8 Finance Street, Central, Hong Kong
PRC Auditor	Shinewing Certified Public Accountants (Special General Partnership) 9th Floor, Block A, Fu Hua Mansion, No. 8 Chao Yang Men Bei Da Jie, Dong Cheng 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	19 December 2012
Registration Number of Business Licence	510000400003856
Tax Registration Number	51010720189926X
Organization Code	20189926-X
Principal Banker	China Construction Bank

COMPANY PROFILE

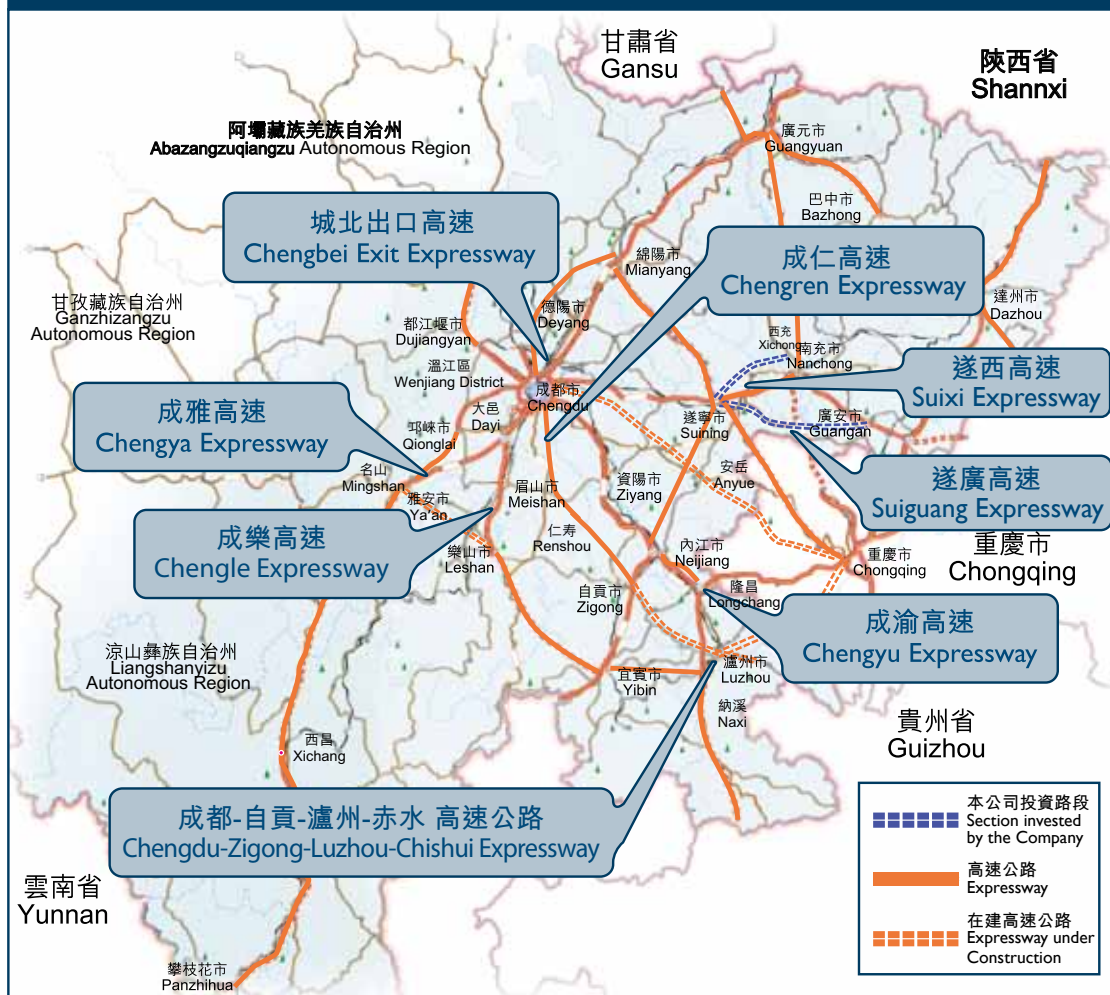
The Company was registered with the Industry and Commerce Bureau of Sichuan Province of the PRC on 19 August 1997. The Company was listed on the Stock Exchange (stock code: 00107) on 7 October 1997 and on the SSE (stock code: 601107) on 27 July 2009, respectively.

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, Chengren Expressway, Chengbei Exit Expressway as well as Suiguang Expressway and Suixi Expressway which are under construction. As at 31 December 2012, the length of completed expressways of the Group has reached approximately 573 km in total and the length of the expressways under construction amounted to approximately 165 km. The Group's total asset and net asset were approximately RMB19,336,400,000 and RMB10,446,426,000, respectively.

As at 31 December 2012, 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



CHAIRMAN'S STATEMENT

Zhou Liming

Chairman



On behalf of the Board, I would like to report our results for the Year to Shareholders as follows: In 2012, against the backdrop where the world economy experienced prolonged turbulence, China saw a slow down in economic growth and policy became stricter for the industry, the Group, through making concerted efforts in accordance with its basic development guideline of “expanding one main-body and two wings, strengthening capital operation”, overcame the negative factors such as economic downturn, toll free in major festivals and holidays, traffic diversions and periodic losses after opening of new roads, turned crisis into driving forces and successfully achieved a sustained and steady development. Meanwhile, the Group made great progress in aspects such as operation management, project construction, business development, capital operation and corporate governance, which laid a solid and stable foundation for the Group to exploit advantages and expedite development.

CHAIRMAN'S STATEMENT *(Continued)*

Results and Dividends

In 2012, the revenue of the Group amounted to approximately RMB7,183,670,000, representing an increase of 15.18% as compared with last year, among which the net toll income amounted to approximately RMB2,343,782,000, down 0.1% over last year, and the net revenue from construction contracts amounted to RMB3,844,014,000, up 1.78% over last year (including the construction contracts revenue of approximately RMB3,153,313,000 (before revenue taxes) from Chengren Expressway BOT Project and Suiguang Suixi Expressways BOT Project, which was recognized according to the Hong Kong Financial Reporting Standards, up 21.05% over last year), the revenue from operation of gas stations along the expressways amounted to approximately RMB970,232,000, representing an increase of 954.49% as compared with last year. The profit attributable to the owners of the Company was approximately RMB1,180,931,000, representing a decrease of 9.45% as compared with last year. Basic earnings per share was approximately RMB0.386 (2011: approximately RMB0.426).

Pursuant to the Articles of Association, if the Company distributes cash dividend, the Company shall distribute cash dividend in an amount not less than 30% of the distributable profit earned by the Company for the period concerned (the lower of the profit attributable to shareholders under the PRC and overseas accounting standards respectively). In appreciation of the support of Shareholders to the Group over years, the Board has recommended a final cash dividend for the year 2012 of RMB0.08 per share (tax inclusive), aggregating to approximately RMB244,645,000, representing 31.37% of the distributable profit of the Company determined under PRC GAAP for the Year and 20.72% of the profit attributable to owners of the Company as shown in the consolidated financial statements. Such proposed dividend is subject to approval by Shareholders at the forthcoming 2012 AGM of the Company.

Review

2012 is an important and the second year for the implementation of the "12th Five-Year Plan". In face of an economy with lackluster recovery globally and the important task to reform for stable development domestically, the Central Government has been endeavoring to strike a balance between stabilizing growth and transforming mode and adjusting structure. Through strengthening and improving macro control in a prompt manner, it successfully made China's economy stabilize and pick up in the fourth quarter from a slight quarter-on-quarter drop over the first three quarters in 2012. According to preliminary statistics, China's gross domestic product ("GDP") amounted to RMB51,932.21 billion in 2012, up 7.8%¹ from last year based on comparable prices, 1.5 percentage points lower than the growth rate recorded in last year.

2012 witnessed a steady and relatively rapid growth in the economy of Sichuan Province. Amid the difficulties arising from the downturn in domestic economy, Sichuan Province give great priority to stabilizing growth, and through measures such as urban and rural coordination and investment-driven and industry support approach, endeavored to push ahead with new industrialization and new urbanization. As examined and approved by the National Bureau of Statistics, GDP of the whole province amounted to approximately RMB2,384.98 billion in 2012, up 12.6% from 2011, 2.4 percentage points² lower than the growth rate recorded in last year .

¹ Source: preliminary accounting results announced by the National Bureau of Statistics.

² Source: the website of the People's Government of Sichuan Province.

CHAIRMAN'S STATEMENT (Continued)

In 2012, transportation industry in Sichuan Province experienced leapfrog development. After years of extensive construction activities, Sichuan Province started to see a great harvest time for expressways in 2012, and the main framework for the integrated transportation hub in western China is taking its shape. As at 31 December 2012, investment in expressway construction in Sichuan Province amounted to RMB73.5 billion, up 8% year-on-year. During the Year, 15 expressway projects was completed and opened to traffic, adding 1,327km to the total length of expressways opened to traffic in Sichuan Province. As at 31 December 2012, the total length of expressways opened to traffic in the province reached 4,334km with 12 major expressways connecting in and out of Sichuan, moving up to the 7th place in the PRC, and ranking first in Western China³.

In 2012, the Company, staying in line with the Group's overall requirement to "exploit advantages, expedite development", kept optimizing assets and finance structure and actively pushed ahead with development and construction of new projects to seek for a better and more rapid development. During the Year, **each operational indicator of the Group was in line with our expectations**. As at 31 December 2012, the Group's total assets and net assets reached approximately RMB19,336 million and RMB10,446 million respectively, while the Group recorded revenue of approximately RMB7,184 million, and profit attributable to owners of the Company of approximately RMB1,181 million respectively. During the Year, the Group **achieved notable results in expanding "one main-body and two wings"**. Chengren Expressway was open to traffic on 10 September 2012, three months earlier than scheduled, which recorded toll income of over RMB100 million for less than four months since its commencement of operation. Suiguang Suixi Expressways BOT Project was considered and approved at the general meeting of the Company at the beginning of 2012, and currently the project company is pushing ahead with construction of this project. We won the bids for Shuangliu West Airport Phase VI BT Project and Shuangliu Zongbao BT Project in January and April 2012 respectively with an estimated total investment amount of nearly RMB900 million, indicating a continuously expanding BT business. Renshou Avenue Connection Line Project progressed well and was completed smoothly in November 2012. Shugong Company grew at a faster pace and won the bids for five projects during the Year with bid-winning amount of RMB5.574 billion. Chengya Oil Company completed capital increase and reorganization in January 2012, and thereby certain of its original gas stations lease business became its self-operated businesses, resulting in a significant increase in its income from sales of petroleum products. During the Year, the Group **strengthened capital operation and made breakthroughs in financing mode**. In April 2012, the Company completed the registration for its RMB1.3 billion 5-year medium-term notes, and successfully issued medium-term notes of RMB700 million during the Year. As at 31 December 2012, the Company obtained RMB1.55 billion of offshore bank loans denominated in RMB, making us the first enterprise in Sichuan Province which has obtained such loans in overseas market such as Hong Kong and Taiwan. During the Year, the Group **kept improving its corporate governance**. The Company completed the 2011 internal control testing and assessment in March 2012 as scheduled, and continued to promote the implementation of internal control standards through implementation and maintenance of the Internal Control Manual and preparation and unification of internal control assessment template. We successively established special committees under the Board in March 2012, including the Strategic Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and formulated relevant detailed implementation rules thereof. We also formulated or amended the Articles of Association and seven internal management rules including the Procedures for the Election of Directors, and successfully completed three stages of work in the corporate governance special campaign.



³ Source: Sichuan Daily.

CHAIRMAN'S STATEMENT *(Continued)*

Prospects and Strategy

Looking into the future, we deeply believe that it is a time opportunities coexist with challenges, and developments accompany risks. The Company will strive for developments amid challenges and seek for more economic benefits through aggressive efforts.

From the perspective of macro economy, after the 18th National Congress of the Communist Party of China, China will maintain the stability and continuity of its macro economy policies. With the top task remaining as "stabilizing growth", China will actively advance adjustments to the underlying economic structure and facilitate a faster transformation of its economic development mode. Viewing as a whole, benefiting from the expanding domestic demand, the gradual release of consumption potential and investment recovery driven by accelerated investment in infrastructure and services sector, China's economy is expected to follow the recovery trend which started since the fourth quarter of 2012 and maintain a steady and healthy development. However, in a short term, the downward pressure in its economy is not to be neglected. New issues and problems keep emerging in the operation of international and domestic economic operation, which will also pose potential worries and challenges on China's economy in 2013, accordingly impact the demand for transportation, and in turn pose pressure on the growth in the Group's toll income.

In terms of regional development, Sichuan Province has been growing its economy at a pace above the national average recent years. The promulgations of the "Chengyu Economic Zone Development Plan", the "Master Plan for Tianfu New District" and the "12th Five-Year Plan for Comprehensive Transportation Construction of Sichuan Province" greatly stimulated the economic development and development of expressway network in Sichuan Province, and also added new vitality into operations of the Group. During the 12th Five-Year Plan period, Sichuan Province will launch and implement multipoint and multi-pole underpinning strategy, accelerate the progress of new industrialization and new urbanization, vigorously implement industry development plan, launch the "5785" strategic engineering (refer to the building of five 1,000 billion-level industrial belts, seven 100 billion-level industries, eight 100 billion-level parks or bases, and fifty 10 billion-level enterprise)⁴. The great opportunity arising from the multipoint and multi-pole underpinning strategy and the interactive development of new industrialization and new urbanization will without any doubt drive the sustained growth in regional transportation demand, and at the same time effectively facilitate the development of infrastructure and related upstream and downstream sectors, thus providing broad space for the development of the infrastructure investment and construction businesses of the Group.

From the perspective of policy environment, as the national expressway network has basically taken its shape, the large-scale construction of expressways which started from late 1980s, has noticeably slowed down nationwide after twenty years of thriving. The government has shifted its focus from "priority to development" in expressway construction to "people's living" and building of "harmonious society". From the green passage to the toll free for small passenger vehicles during holidays and festivals, the government has been promulgating various toll free policies to cover more target vehicles, which has direct effect on the operating results of the Company. In addition, the Party Committee and Peoples' Government of Sichuan Province has decided, pursuant to the general deployment of the Central Government, to cancel tolls on all those secondary roads within Sichuan Province with repayment of their bank loans undertaken by the government from 1 January 2013, which will change the distribution of traffic volumes within the Province and have certain impact on the operation of the Group's expressways.

Getting well-prepared to any eventuality will bring success to us. Although external operating environment has a relatively big impact on the performance of toll roads, external cause is only the catalyst. The true and long-term value of the Company vests in the identifying, sufficiently fostering and planning on the core competitiveness that can bring the sustainable development of the Company.

⁴ Source: the "12th Five-Year Plan" of Transportation of Sichuan Province

CHAIRMAN'S STATEMENT (Continued)

In 2012, upon having made hardheaded analysis and earnest thinking of its operating environment, the industry development trend, opportunities and challenges and its own characteristics, the Company made adjustments to the Group's "12th Five-Year Plan" for the remaining three years and formulated the new "12th Five-Year Development Strategy and Plan". The new plan, on the basis of the strategy of "one main body and two wings", further established the general development requirement of "exploiting advantages, expediting development" and the basic development guideline of "expanding one main body and two wings, and strengthening capital operation", and set out our intention to vigorously build five major segments, namely the toll roads and bridges, energy, construction, city operation and financial investments. First, the Company will **maintain the operation of expressways as its principal businesses**, adopt the operation and development strategy of intensive growth, and make use of its own advantages and external development opportunities, so as to enhance the profitability of existing assets and enlarge assets size and business revenue with Sichuan as the foothold. Second, while consolidating and developing its principal businesses, the Company will **carry out diversified operations which are highly related to its principal businesses**. We will grasp market opportunities, leverage on our own advantages, and continuously develop new business areas. During such process, we will duly differentiate the core areas and non-core areas, so that the needs of core areas could be met during the resources optimization and allocation of the Company, thus fostering the comprehensive competitive advantages of the core areas as soon as practicable. Third, the Company will **further strengthen the capital operation concept**. We will conduct capital operation and management for capital preservation and appreciation, optimize the portfolio by various means, and enhance capital operation benefits through the capital leverage, so as to maximize the profitability of capital. Meanwhile, in order to safeguard the sustained and steady growth, the Company will **further establish and improve the enterprise system and organizational structure adaptive to market changes**, and cultivate a viable ecotype enterprise mode which can get rid of the stale and take in the fresh and with a self-improvement mechanism, so as to be seasoned with any changes on the market, and stride toward a larger target and higher level.

The "12th Five-Year Plan" traces out a new blueprint for the Group's development and the new round of development has unveiled its curtain. On our new journey in 2013, we will continue to work diligently, honestly fulfill our duties, forge ahead to overcome difficulties, and crave for more success with concerted efforts under the guidance of the Group's "12th Five-Year Plan".

Acknowledgements

2012 witnessed the 15th anniversary of the Company. With our unremitting efforts over the fifteen years, the mileage of the Company's expressways increased to 573km from 226 km at the time when the Company was founded. The total assets and net assets of the Company increased to RMB19.336 billion and RMB10.446 billion from RMB5.38 billion and RMB4.01 billion respectively. The Company now has fourteen branches and subsidiaries. The Company has developed from a company which only operated the road assets (Chengyu Expressway), to a large-scale conglomerate which wholly owns, controls or has equity participation in a number of toll expressways and sets its foot in transportation infrastructure investment and construction as well as expressway-related industries.

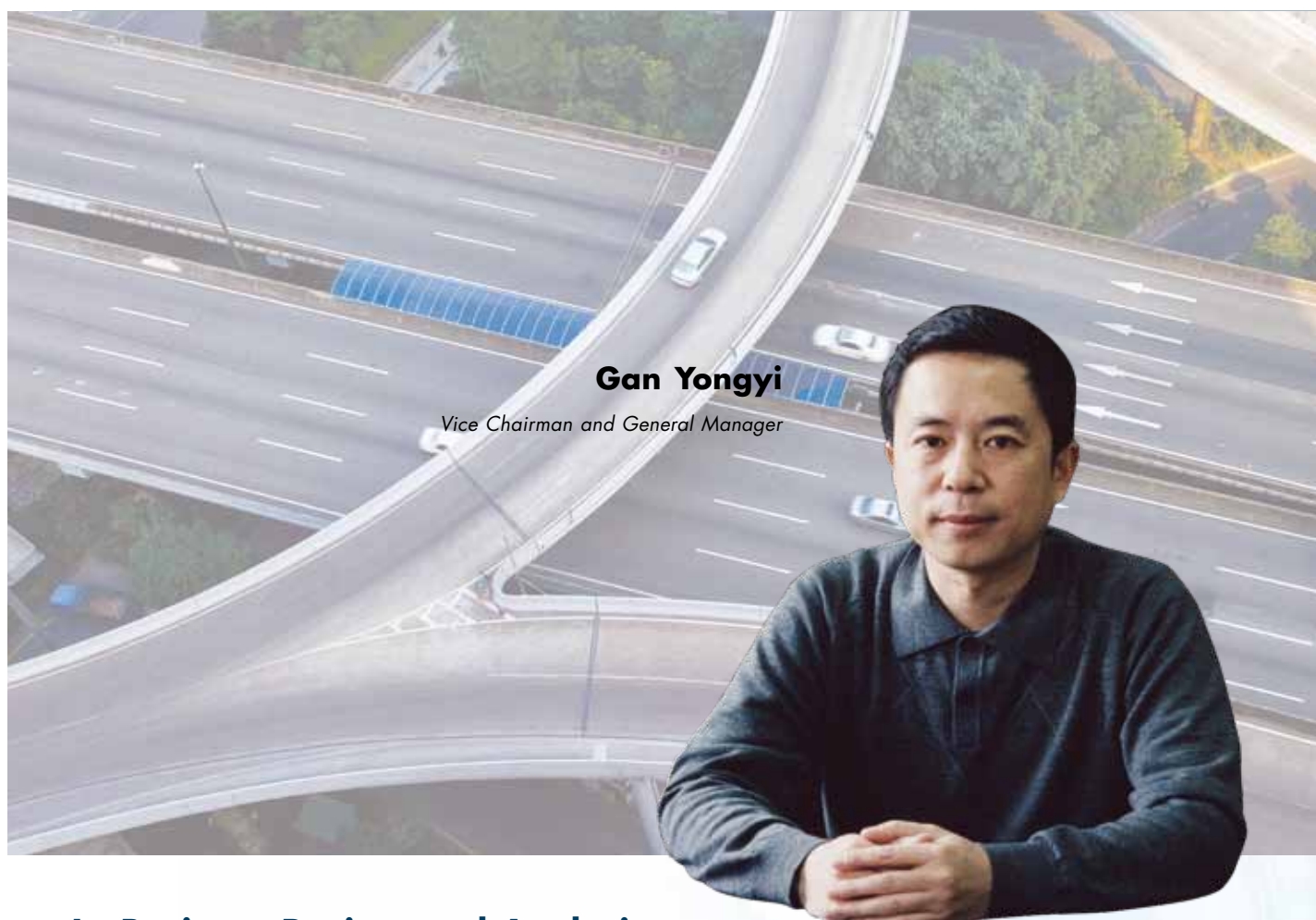
At the 15th anniversary of the Company and at the time for re-election of the Board and the Supervisory Committee, on behalf of the new session of the Board, I would like to take this opportunity to express sincere respect for the previous sessions of the Board and the Supervisory Committee for their diligent and pioneering efforts, and on behalf of the Board, I also would like to extend our heartfelt gratitude to all staff for their contribution to the Group's development, to all walks of life for the support and faith you have shown us.



Zhou Liming
Chairman

Chengdu, Sichuan, the PRC
28 March 2013

MANAGEMENT DISCUSSION AND ANALYSIS



Gan Yongyi

Vice Chairman and General Manager

I. Business Review and Analysis

(I) Results overview

The incomes and earnings of the Group were mainly derived from the operation and investment of toll roads. During the Reporting Period, the Group's toll income and total profit slightly decreased over last year due to combined impact of a variety of factors. However, thanks to the Group's efforts in accelerating the development of the two-wing industries in accordance with its preset development strategy of "one main body and two wings", revenue from other businesses saw a noticeable increase and the Group's total operating revenue for the Year maintained a continued growth. As the operating environment of principal businesses is stabilizing and the revenue from the two-wing businesses keeps rising, the Group has confidence in recovering and improving its profitability and achieving growth in both revenue and profit.

During the Year, the revenue of the Group amounted to approximately RMB7,183,670,000, representing an increase of 15.18% as compared with last year, among which the net toll income amounted to approximately RMB2,343,782,000, down 0.1% over last year, the net revenue from construction contracts amounted to approximately RMB3,844,014,000, up 1.78% over last year (including the construction contracts revenue of approximately RMB3,153,313,000 (before revenue taxes) from Chengren Expressway BOT Project and Suiguang Suixi Expressways BOT Project, which was recognized according to the Hong Kong Financial Reporting Standards, up 21.05% over last year), the revenue from operation of gas stations along the expressways amounted to approximately RMB970,232,000, representing an increase of 954.49% as compared with last year, and revenue from other income and gains amounted to approximately RMB183,916,000, up 97.77% over last year. The profit attributable to the owners of the Company was approximately RMB1,180,931,000, representing a decrease of 9.45% as compared with last year. Basic earnings per share was approximately RMB0.386 (2011: approximately RMB0.426).

As at 31 December 2012, the Group's total assets and net assets were approximately RMB19,336,400,000 and RMB10,446,426,000 respectively.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

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

Operating results of the Company and its major branches and subsidiaries:

Item	Toll Income for 2012 (RMB'000)	Percentage in the total toll income (%)	Toll Income for 2011 (RMB'000)	Percentage in the total toll income (%)	Profit/ (loss) for 2012 (RMB'000)	Year-on- year increase/ (decrease) in profit for 2012 (%)
The Company (Note 1)	1,102,230	45.42	1,176,077	48.44	561,291	(6.84)
Chengya Branch (Note 2)	700,027	28.84	672,498	27.70	303,029	12.54
Chengle Company (Note 3)	430,085	17.72	485,734	20.00	236,266	(16.04)
Chengren Branch (Note 4)	102,578	4.23	—	—	(37,898)	N/A
Chengbei Company (Note 5)	91,886	3.79	93,835	3.86	36,071	0.80
Total	2,426,806	100.00	2,428,144	100.00	1,098,759	(7.59)

Notes:

- For the purpose of this table only, the Company does not include Chengya Branch and Chengren 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.
- Chengya Branch, a branch company of the Company, is responsible for the operation and management of Chengya Expressway.
- Chengle Company, a wholly-owned subsidiary of the Company, is responsible for the operation and management of Chengle Expressway.
- Chengren Branch, a branch company of the Company, is responsible for the operation and management of Chengren Expressway.
- 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.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operation of major expressways of the Group:

Item	Shareholding percentage (%)	Converted average daily traffic flow (vehicles/times)			Toll income (RMB'000)		
		2012	2011	Increase/ (decrease) (%)	2012	2011	Increase/ (decrease) (%)
Chengyu Expressway	100	22,229	22,601	(1.65)	1,102,230	1,176,077	(6.28)
Chengya Expressway	100	19,225	17,109	12.37	700,027	672,498	4.09
Chengle Expressway	100	20,497	21,848	(6.18)	430,085	485,734	(11.46)
Chengren Expressway	100	16,709	—	N/A	102,578	—	N/A
Chengbei Exit Expressway (including Qinglongchang Bridge)	60	35,461	34,346	3.25	91,886	93,835	(2.08)

In 2012, the toll income (before revenue taxes) of the Group was approximately RMB2,426,806,000, representing a slight decrease of approximately 0.06% as compared with last year. The percentage of the toll income to the Group's total revenue was approximately 33.78%, representing a decrease of approximately 5.15 percentage points from 38.93% as compared with last year. During the Reporting Period, the following factors constituted combined effects on the operating performance of the Group's toll roads:



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Negative factors:

- (1) Starting from 2012, due to the slowdown in the macroeconomic growth and the weak industrial, manufacturing and commodity circulation sectors in the PRC, demand for road transportation has been declining. At the same time, moderating operation activities in all parts of the country led to a change in the structure of automobile types on the Group's roads, with the percentage of trucks gradually declining in the Group's traffic volume, which in turn resulted in a drop in the average toll income per vehicle on the Group's roads.
- (2) In July 2012, the State Council of the PRC approved the implementation plan for toll-free travel for small passenger vehicles on major festivals and holidays formulated by the five ministries and commissions of the State. Such policy resulted in a loss in the Group's toll income from small passenger vehicles and increase in maintenance and labor cost in a direct manner, and a further impairment to the Group's toll income through the "crowding out effect" against trucks by such passenger vehicles.
- (3) With the market gradually becoming saturated and the effects of policies abating, vehicle consumption in Sichuan Province is shifting from "blowout" to stable growth. In 2012, retail sales of vehicle in Sichuan Province amounted to RMB98.895 billion, representing a year-on-year increase of 12%⁵, 6.9 percentage points lower than last year. The decline in the vehicle consumption growth will weigh on the overall operation of the Group's toll roads to some extent.
- (4) Sichuan Province implemented a toll-by-weight policy for trucks traveling on expressways since 1 June 2007, and normally loaded trucks were given a 20% toll discount. Currently, the preferential policy is still being implemented.

Positive factors:

- (1) The "Master Plan for Tianfu New District, Chengdu, Sichuan Province (2010-2030)" obtained the formal approval from the People's Government of Sichuan Province in November 2011. The construction of Tianfu New District fully commenced thereafter. As a group company specialized in road investment and construction in Sichuan Province, the Group has become an active participant in the campaign of reinventing "Industrial Chengdu" by undertaking the infrastructure construction of the Tianfu New District. The newly-open Chengren Expressway BOT Project of the Group, and all the transportation infrastructure BT (build-transfer) projects of the Group are all in the Tianfu New District. The Tianfu New District of Chengdu will, upon commencement of construction, add new vitality to the economy of Sichuan Province and China's western inland at large. Meanwhile, the Chengdu and Chongqing-centered city cluster will become an important growth pole leading the development of western China.
- (2) Both the State's "12th Five-Year Plan" and the deepening western China development strategy gave priority to the construction of transportation infrastructure. By leveraging this opportunity, Sichuan Province pushed ahead with the construction of an integrated transportation hub in western China at a faster speed, and continuously stepped up efforts in construction on traffic road networks. In 2012, 15 expressway projects were completed and opened to traffic, adding 1,327km to the total length of expressways opened to traffic in Sichuan Province. As at the end of the Year, the total length of expressways opened to traffic in the province reached 4,334km with 12 major expressways connecting in and out of Sichuan, moving up to the 7th place in the PRC, and ranking first in western China⁶. The fast development of the industry will bring about more active activities among different regions and generate new traffic demand, thus providing good opportunities and space for further development of the Group.

⁵ Source: preliminary accounting results announced by Sichuan Bureau of Statistics.

⁶ Source: Sichuan Daily.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

- (3) In September 2012, Sichuan Province issued the "Directory of Significant Investment Projects (2012-2013)", proposing to invest RMB3,670 billion in the construction of 2,242 significant projects in the field of infrastructure, key industrial sectors, the people's livelihood and social undertaking, and ecological construction and environmental protection⁷. The new round of investment boom will drive increase in the traffic demand in Sichuan Province, which will be conducive to the operations of the Group.
- (4) In 2012, the tourist industry of Sichuan Province maintained its robust growth, contributing revenue in a total of approximately RMB328.025 billion to Sichuan Province, up 33.9% year-on-year⁸, thus effectively driving the growth of traffic volume within Sichuan Province.

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

Chengyu Expressway: On 9 May 2012, Neisui (Neijiang-Suining) Expressway was completed and open to traffic, which connects Miansui (Mianyang-Suining) Expressway (which was open to traffic on 12 December 2011) and Guangnan (Guangyuan-Nanchong) Expressway (which was open to traffic on 31 March 2012), thereby creating a new expressway channel linking the northern and southern parts of Sichuan and causing traffic diversion to Chengyu Expressway with respect to the vehicles from northern parts of Sichuan to southern parts of Sichuan through Chengyu Expressway to a certain extent. Chengdu-Renshou-Zigong Section of ChengZiLuChi Expressway was opened to trial operation on 10 September 2012, and commenced formal toll collection on 18 September 2012. As a result, the traffic volume at the toll gates of the Neijiang and Ziyang middle sections of Chengyu Expressway and those diverted to Chengyu Expressway from Neiyi (Neijiang-Yibin) Expressway and Longna (Longchang-Naxi) Expressway decreased.

Chengya Expressway: Yaxi (Ya'an-Xichang) Expressway was completed and open to traffic on 28 April 2012, thus connecting Chengya, Yaxi and Xipan (Xichang-Panzhihua) Expressways, reaching all the way for exiting Sichuan to Yunnan Province, which led to increase in the traffic volume of Chengya Expressway. Yaxi Expressway was officially open to trucks on 1 July 2012, which had positive impacts on the income per vehicle. Chengxinpu Fast Line, as a toll free road with good road conditions, was completed and open to traffic on 29 September 2012, which diverted certain traffic volume from the Chengdu-Pujiang Section of Chengya Expressway.



MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Chengle Expressway: Toll income of Chengle Expressway fell notably during the Year for the following reasons: (i) its income base was higher for the same period last year due to sharp increases in its traffic volume and toll income as Meishan Section of Provincial Route 103, a road running parallel to Chengle Expressway, had been closed for maintenance and repair from October 2010 to April 2011, leaving most of its traffic shifted to Chengle Expressway; (ii) since May 2011, Provincial Route 103 was re-open to traffic and became toll free, which not only steered its original traffic back, but also diverted away some traffic of Chengle Expressway; (iii) from 1 December 2011 to 31 December 2012, 20 ton plus trucks (including 20 ton trucks) are prohibited to travel on Xuhao Bridge over Provincial Route 306 (which passes through Chengle Expressway), and since March 2012, further prohibition has been imposed on all 3 plus axis trucks (including 3 axis trucks). As a result, 20 ton plus trucks (including 20 ton trucks) heading for Emei and Shawan originally by exiting from Leshan Toll Station on Chengle Expressway and all 3 plus axis trucks (including 3 axis trucks) since March 2012 may only exit from Jiajiang Station, cutting a traveling distance on the Chengle Expressway by approximately 23km for these trucks; (iv) Chengren Expressway was opened to traffic on 10 September 2012, which diverted certain traffic travelling from Chengdu to Meishan and Renshou; and (v) Since the beginning of 2012, local roads alongside Chengle Expressway within Meishan (such as the old road from Pengshan to Huanglongxi) removed their toll gates in succession for toll free, which also diverted certain traffic from Chengle Expressway.

Chengbei Exit Expressway: On 13 March 2012, the reconstruction of the subsection in Xindu City District of Dajian Section of Chuanshan Highway, another channel in the north of Chengdu leading out of the city, commenced officially, channeling some vehicles heading for Xindu from Chengdu to Chengbei Exit Expressway. The reconstruction, which is expected to complete around May 2013, will bring additional traffic volume to Chengbei Exit Expressway. Secondly, the double line of Chengmian Expressway, a new main line of Chengdu leading out of Sichuan from the north was open to traffic on 10 May 2012, which diverted some traffic from Chengbei Exit Expressway. In addition, the specified time periods restriction imposed on the traffic to Three Ring Road of Chengdu since January 2011 remained effective during the Reporting Period, causing a decrease in the traffic volume entering Chengbei Exit Expressway by way of the Three Ring Road of Chengdu.

Apart from the expressways which were newly opened to traffic and already had various impacts on the expressways of the Group in 2012, Yilu (Yibin-Luzhou) Expressway was open to traffic on 26 December 2012, and it is expected that the Luyu (Luzhou-Chongqing) Expressway, Leya (Leshan-Ya'an) Expressway, the full line of ChengZiLuChi Expressway and the Cheng'anyu (Chengdu-Anyue-Chongqing) Expressway will be open to traffic in succession in 2013. The traffic volumes of the Group's expressways will be affected due to the change in road networks and network effects in the future. Meanwhile, as the local highways will be constructed in a faster pace, expressways of the Group are exposed to certain traffic diversion due to the openings to traffic of such toll-free parallel highways in 2013, such as the Yangma-Shiqiao Section of the Chengjian Fast Line and the Chengren Fast Line which were expected to open to traffic in 2013 in succession. The Group will closely monitor the dynamics of the road networks and promptly take counter measures to offset the diversion impact imposed by competing roads.

(III) Operating results of other businesses

In 2012, other than revenues from toll operation segment, the Group recorded revenue from other segments, other income and gains of approximately RMB5,023,804,000, representing an increase of approximately 26.10% over last year, including revenue from construction contracts (before revenue taxes) of RMB3,248,675,000 (2011: RMB2,685,924,000) in respect of service concession arrangements, representing an increase of approximately 20.95% over last year; revenue from construction contracts (before revenue taxes) of approximately RMB620,189,000 (2011: RMB1,136,423,000) in respect of construction works performed for third parties, representing a decrease of approximately 45.43% over last year; revenue of approximately RMB970,232,000 (2011: RMB92,010,000) from operation of gas stations along the expressways, representing an increase of approximately 954.49% over last year and a total of RMB183,916,000 other income and gains, representing an increase of approximately 97.77% over last year.

During the Year, other businesses of the Group were mainly attributable to eight subsidiaries (namely Shunan Company, Shuhai Company, Shugong Company, Shusha Company, Shuhong Company, Zhonglu Energy Company, Chengya Oil Company and Suiguang Suixi Company) and Chengren Branch. The operating results of each of them are set out as follows:

Shunan Company is a wholly-owned subsidiary of the Company, mainly responsible for the implementation of Shuangliu Renbao BT Project (which has been completed), Shuangliu West Airport Phase VI BT Project and Shuangliu Zongbao BT Project. For the Year, its income from BT Projects were approximately RMB97,593,000, and the profit was approximately RMB12,010,000, representing decreases of 89.89% and 84.42% respectively over last year. The reason for the decline is a fall in recognized profits from BT businesses as major construction works of the above BT projects were not in progress during the Year.

Shuhai Company is a controlled subsidiary of the Company, mainly engaged in the investment in road infrastructure projects and other industrial investment. For the Year, after consolidating the operation results of Zhonglu Energy Company and Shuhong Company, its operating revenue was approximately RMB613,527,000, and the profit was approximately RMB18,726,000, representing increases of 548.61% and 505.82% respectively over last year.

Shugong Company is a wholly-owned subsidiary of the Company, mainly engaged in construction and maintenance of infrastructures such as road, bridge and tunnels. It possesses the qualifications for Grade-1 Engineering, Procurement and Construction (EPC) for road projects, and Grade-1 professional contracting services for road surface projects. In September 2012, the Company contributed additional RMB430 million to the registered capital of Shugong Company to further explore the development potential of its business. For the Year, operating revenue of Shugong Company was approximately RMB723,952,000 (including revenue from internal project construction which should be offset when results are consolidated), and the profit was approximately RMB38,176,000, representing a decrease of 37.91% and an increase of 12.11% respectively over last year.

Shusha Company is a wholly-owned subsidiary of the Company, mainly responsible for management of assets, service zones, advertisement, etc. along the expressways. For the Year, its operating revenue was approximately RMB23,659,000, and the profit was approximately RMB5,953,000, representing increases of 50.20% and 90.74% respectively over last year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Shuhong Company is a wholly-owned subsidiary of Shuhai Company, currently mainly responsible for the implementation of Renshou Land-linked Pilot Project. For the Year, its income from the BT Project was approximately RMB7,995,000, and the profit was approximately RMB2,280,000, representing increases of 246.40% and 93.55% respectively over last year

Zhonglu Energy Company is a controlled subsidiary of Shuhai Company, mainly responsible for sales of petroleum products at gas stations along Chengyu Expressway and Chengren Expressway. For the Year, its operating revenue was approximately RMB605,531,000, and the profit was approximately RMB15,683,000, representing increases of 556.17% and 1,068.63% respectively over last year.

Chengya Oil Company is a controlled subsidiary of the Company. In January 2012, the Company contributed additional RMB12.882 million to the registered capital of Chengya Oil Company, increasing the Company's shareholding from 45% to 51%. Chengya Oil Company is mainly responsible for sales of petroleum products at gas stations along Chengya Expressway. For the Year, its operating revenue was approximately RMB371,786,000, and the profit was approximately RMB15,608,000. The financial data of Chengya Oil Company was not consolidated in last year as it was not a subsidiary controlled by the Company then.

Suiguang Suixi Company is a wholly-owned subsidiary of the Company, currently mainly responsible for the implementation of the Suiguang-Suixi Expressways BOT Project. It recorded revenue of approximately RMB219,918,000 from the construction of Suiguang Expressway and Suixi Expressway.

Chengren Branch is a branch company of the Company, mainly responsible for the implementation of Chengren Expressway BOT Project and operation and management of Chengren Expressway. It recorded revenue of approximately RMB2,933,395,000 from the construction of the Chengren Expressway, representing an increase of 12.61% over last year (2011: approximately RMB2,604,891,000).

(IV) Project investment

(1) Chengren Expressway BOT Project

The total length of Chengren Expressway is approximately 106.613km, commencing from Chengdu Ring Expressway Jiangjia 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 toll fees are charged on Chengren Expressway.

Chengren Expressway is the starting section of ChengZiLuChi Expressway which runs through Chengdu economic zone and the heart of the economic region in southern Sichuan. It is an important channel in the southeastern part of the Sichuan Province leading from Sichuan Province to the sea. As the first expressway newly built within the planning of Tianfu New District, ChengZiLuChi Expressway has an important position in the strategic arrangement of Sichuan Province to build a comprehensive western transport hub.

Chengren Expressway was open to traffic on 10 September 2012, and has been put into operation for toll fees collection since zero hour 18 September 2012. The project has accomplished a series of major achievements in independent innovation and comprehensive application of technology and process since commencement of construction. It has won praise from peers at home and abroad for high standards of construction, good quality and superior environmental protection. The operation of Chengren Expressway will further consolidate the Group's position in the sector of expressway investment, management and operation in Sichuan Province and western China and promote the Group's core competitiveness.

(2) Suiguang and Suixi Expressways BOT Project

At the 2012 first extraordinary general meeting of the Company held on 13 January 2012, the investment in Suiguang Suixi Expressways BOT Project was considered and approved. According to the preliminary design document of the project, its total length is approximately 164.826km with an operation period of 29 years and 336 days, and the approved estimated preliminary investment is approximately RMB11,887 million. In July 2012, the Company established a project company Suiguang Suixi Company, which is in overall charge of the preparation, construction, operation, management and transfer of Suiguang Suixi Expressways BOT Project. As of 31 December 2012, approximately RMB222 million was invested in Suiguang and Suixi Expressways BOT Project, accounting for approximately 1.87% of the estimated total investment of the project.

Suiguang Expressway starts from the intersection of Guojunba interchange and Miansui Expressway, and ends at Zaoshan interchange overpass. Its total length is approximately 97.455km and the approved estimated preliminary investment is approximately RMB7,063 million. Suiguang Expressway will further improve the expressway network within Sichuan Province, and as the most direct and convenient expressway between Suining City and Guang'an City would divert some traffic from Suining-Guang'an Section of G42 Hulong Expressway.

Suixi Expressway, starting from Fushanba of Jixiang Town, Suining City and ending at the intersection of Taiping interchange and Guangnan Expressway, has a total length of approximately 67.371km with an approved estimated preliminary investment of approximately RMB4,824 million. 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 into a more complete and convenient expressway network, thereby enhancing the transport efficiency of the road network.

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

(3) 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 110m. 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 approximately 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 estimated total investment for the Renshou BT Projects is approximately RMB712,211,000 including approximately RMB394,365,000 for the Renshou Avenue Connection Line Project and approximately RMB317,846,000 for the Renshou Land-linked Pilot Project.

In November 2012, the Renshou Avenue Connection Line Project was successfully completed and submitted to acceptance inspection. As at 31 December 2012, a total of approximately RMB50 million had been invested in the Year in Renshou Land-linked Pilot Project and a total of approximately RMB122 million had been invested since its commencement of the construction, representing approximately 38.36% of the estimated total investment of the Renshou Land-linked Pilot Project.

(4) 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 approximately RMB616,070,000, including land requisition and relocation fee of approximately RMB163,030,000 and expenditures for road construction and installation of relevant facilities of approximately RMB453,040,000.

As at 31 December 2012, approximately RMB144 million was invested on a cumulative basis in Shuangliu West Airport Phase VI BT Project, representing approximately 23.38% of the estimated total investment of the project.

(5) Shuangliu Zongbao BT Project

At the 42nd meeting of the fourth session of the Board held on 28 March 2012, the Board considered and approved the resolutions in relation to Company's investment in Shuangliu Zongbao BT Project, and approved Shunan Company to be the project company responsible for the preparation, construction and transfer of the project. On 6 April 2012, the Company won the bid to undertake the project, content of which includes 2 roads, i.e. Qinglan Road and the south extension line of Shuanghuang Road, with a total length of approximately 3.23km. The estimated total investment amount is approximately RMB279,630,000, including land requisition and relocation fee of approximately RMB79,370,000 and expenditures for road construction and installation of relevant facilities of approximately RMB200,260,000.

As of 31 December 2012, approximately RMB63 million was invested on a cumulative basis in Shuangliu Zongbao BT Project, accounting for approximately 22.50% of its estimated total investment.

(6) Participation in Establishment of Trading Landmark and Trading Industry

On 10 January 2013, the Company's participation in the establishment of Trading Landmark and Trading Industry and relevant matters were approved at the General Manager's work meeting of the Company pursuant to the Company's Administrative Measures for External Investment. On 21 January 2013, the Company entered into the Trading Landmark JV Agreement and the Trading Industry JV Agreement with STI Group, Sichuan Highway Development and Sichuan Ganghang Development Company Limited ("Sichuan Ganghang"). Pursuant to the Trading Landmark JV Agreement, the registered capital of Trading Landmark shall be RMB100 million, of which the Company, STI Group, Sichuan Highway Development and Sichuan Ganghang shall contribute RMB15 million, RMB30 million, RMB25 million and RMB30 million respectively for 15%, 30%, 25% and 30% equity interests respectively. Pursuant to the Trading Industry JV Agreement, the registered capital of Trading Industry shall be RMB300 million, of which the Company, STI Group, Sichuan Highway Development and Sichuan Ganghang shall contribute RMB30 million, RMB120 million, RMB120 million and RMB30 million respectively for 10%, 40%, 40% and 10% equity interests respectively. Both Trading Landmark and Trading Industry were established on 31 January 2013.

"One main body and two wings" is the mid to long term development strategy of the Company. While aiming to base on the main business, we also create profit growths in other business areas in order to enhance the contributions of such other business to the Company's overall profitability level, thus expand the business development and asset size of the Company and ensure the conditions and sustainable development of the Company. As such, the Company has participated in establishment of Trading Landmark and Trading Industry.

(7) Real Estate Projects in Chengbei New Town of Renshou County

On 30 January 2013, the Company's participation in the bidding for the land use rights of three state-owned construction land parcels in Chengbei New Town, Renshou County, Meishan City, Sichuan Province for the investment and development of real estate projects was approved at the General Manager's work meeting of the Company pursuant to the Company's Administrative Measures for External Investment. On 7 February 2013, the Company won the bid for the land use rights of such land parcels, and obtained the auction confirmation (《拍賣成交確認書》). On 22 February 2013, the Company and the Land Resources Bureau of Renshou County entered into 3 separate Land Use Rights Transfer Contracts in relation to the acquisition of the land use rights of such land parcels (with a total site area of 235,558.10 sq.m.) at an aggregate consideration of RMB920,160,000.

The Company intends to establish a project company when and as appropriate, either by itself or jointly with a suitable partner to be identified, to be in charge of the development and construction of this project.

"One main body and two wings" is the mid to long term development strategy of the Company. Whilst focusing on its main business, the Company also aims to create profit growths in other business areas in order to enhance the contributions of such other business to its overall profitability level, thus expand the business development and asset size of the Company and ensure sustainable development of the Company.

(V) Financing activities of the Company

In 2012, the Group kept expanding financing channels by taking various measures to cope with the tightening credit environment and effectively reduced its financing cost.

(1) Short-term commercial papers

On 17 March 2011, the Company successfully issued the 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.

(2) Medium-long term syndicated loan

In March 2010, the Company and nine banks including China CITIC Bank Corporation Limited Chengdu 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 of 31 December 2012, drawdown of the loan made by the Company aggregated approximately RMB3,911 million.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

(3) Offshore bank loans

In 2012, the Company entered into loan contracts successively with Bank of China Limited Tokyo Branch, China Construction Bank (Asia) Corporation Limited and Bank of Communications Co., Ltd. Hong Kong Branch and Cathay United Bank Co, Ltd. to obtain offshore loans denominated in RMB with terms ranging from 1 year to 3 years, of offshore banking facilities totaling approximately RMB2.75 billion. As of 31 December 2012, drawdown of the loan made by the Company aggregated approximately RMB1.55 billion.

(4) Medium-term notes

On 25 April 2012, the Company completed the registration for its RMB1.3 billion 5-year medium-term notes, and in June and November 2012, successfully issued the 2012 first and second tranches of medium-term notes of RMB200 million and RMB500 million, at interest rates of 4.75% and 5.57%, respectively.

II. Financial Review and Analysis

Summary of the Group's Operating Results

	2012 RMB'000	2011 RMB'000
Revenue	7,183,670	6,236,966
Including: Toll income	2,343,782	2,346,071
Construction contract revenue	3,844,014	3,776,611
Profit before tax	1,439,828	1,565,020
Profit attributable to owners of the Company	1,180,931	1,304,163
Earnings per share attributable to owners of the Company (RMB)	0.386	0.426

Summary of the Group's Financial Position

	At 31 December 2012 RMB'000	At 31 December 2011 RMB'000
Total assets	19,336,400	16,754,726
Total liabilities	8,889,974	7,247,450
Non-controlling interests	193,200	162,116
Equity attributable to owners of the Company	10,253,226	9,345,160
Equity per share attributable to owners of the Company (RMB)	3.353	3.056

Analysis of Operating Results

Revenue

The Group's revenue for the Year amounted to RMB7,183,670,000 (2011: RMB6,236,966,000), representing an increase of 15.18% over last year, of which:

- (1) The net toll income was RMB2,343,782,000 (2011: RMB2,346,071,000), representing a decrease of 0.1% over last year, mainly due to the impact of the toll-free holiday policy which was partially offset by the commencement of operation and toll collection of Chengren Expressway in September 2012. Please refer to pages 19 to 21 of this annual 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) recognized under the percentage-of-completion method in respect of service concession arrangements was RMB3,248,675,000 (2011: RMB2,685,924,000), representing an increase of 20.95% over last year. This mainly included RMB3,153,313,000 of construction contract revenue (before revenue taxes) (2011: RMB2,604,891,000) from the Chengren Expressway and Suiguang Suixi Expressways BOT projects and an aggregate of RMB95,362,000 of construction contract revenue (before revenue taxes) (2011: RMB81,033,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengle Expressway during the Year;
- (3) Construction contract revenue (before revenue taxes) recognized under the percentage-of-completion method in respect of construction works performed for third parties amounted to RMB620,189,000 (2011: RMB1,136,423,000), which mainly included the construction contract revenue (before revenue taxes) of RMB197,819,000 (2011: RMB1,061,197,000) in respect of the BT projects, and other construction contract revenue (before revenue taxes) of RMB422,370,000 (2011: RMB75,226,000) during the Year;
- (4) Revenue from operation of gas stations along expressways amounted to RMB970,232,000 (2011: RMB92,010,000), representing an increase of 954.49% over last year. This was mainly attributable to the consolidation of revenue of Chengya Oil Company (a subsidiary controlled by the Company) from the operation of gas stations along Chengya Expressway, and the consolidation of the full-year revenue of Zhonglu Energy Company (a subsidiary controlled by the Company) from the operation of gas stations along Chengyu Expressway (the revenue for 2011 only included two months' results) .

Other Income and Gains

The Group's other income and gains for the Year amounted to RMB183,916,000, representing an increase of 97.77% over last year. This was mainly attributable to the interest income of RMB124,582,000 (2011: RMB33,326,000) from the advance payment in respect of the BT projects of the Group recognized pursuant to relevant agreements.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Operating Expenses

The Group's operating expenses for the Year amounted to RMB5,703,674,000 (2011: RMB4,645,290,000), representing a year-on-year increase of 22.78%, of which:

- (1) Construction contract costs recognized under the percentage-of-completion method in respect of service concession arrangements were RMB3,243,919,000 (2011: RMB2,675,515,000), representing a year-on-year increase of 21.24%. This mainly included construction contract costs of RMB3,153,313,000 (2011: RMB2,604,878,000) from Chengren Expressway and Suiguang Suixi Expressways BOT projects and aggregate construction contract costs of RMB90,606,000 (2011: RMB70,637,000) from technical renovation projects of Chengyu Expressway, Chengya Expressway and Chengle Expressway during the Year;
- (2) The construction costs recognized under the percentage-of-completion method in respect of construction contracts amounted to RMB554,130,000 (2011: RMB929,481,000). This mainly included the construction contract costs of RMB174,590,000 (2011: RMB863,848,000) in respect of BT projects, and other construction contract costs of RMB379,540,000 (2011: RMB65,633,000) during the Year;
- (3) Depreciation and amortization expenses increased by 14.95% from RMB360,018,000 in the previous year to RMB413,848,000 this Year, mainly attributable to the followings: 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, the commencement of amortization for service concession arrangements in respect of Chengren Expressway after Chengren Expressway was put into operation in September 2012, and the increase in depreciation of new subsidiaries;
- (4) Staff costs increased by 20.64% from RMB314,184,000 in the previous year to RMB379,047,000 this Year. This was principally due to the increases in total salary, various social insurances and housing accommodation fund paid in the Year to certain extent given the Company's business expansion and addition of controlled subsidiaries as well as the increase in staff of the Company and average salary for the working population in Chengdu;
- (5) Costs of repairs and maintenance decreased by 31.05% from RMB164,022,000 in the previous year to RMB113,091,000 this Year, which represented daily maintenance costs for the Group's roads and auxiliary facilities.

Finance Costs

The Group's finance costs for the Year amounted to RMB240,791,000, representing an increase of 85.12% as compared with last year, principally attributable to (1) the increase in interest expense of RMB87,382,000 as a result of the cease of capitalization of interest on the bank loans for Chengren Expressway BOT Project after Chengren Expressway was open to public; (2) the increase in bank loans to satisfy project funding requirements and the increase in interest rate under the impact of the financial policies.

Taxation

The corporate income tax expense of the Group for the Year amounted to RMB228,917,000, representing a decrease of approximately 6.94% as compared with 2011. This was mainly due to the decrease in the Group's profit before tax for the Year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Profit

The Group's profit for the Year amounted to RMB1,210,911,000, representing a decrease of 8.2% as compared with RMB1,319,042,000 in the previous year, of which the profit attributable to owners of the Company was RMB1,180,931,000, representing a year-on-year decrease of 9.45%. This was mainly due to:

- (1) the toll income from the Group's original expressways for the Year posted a year-on-year decrease under the impact of the toll-free holiday policy, which led to a decrease in profit achieved by them for the Year; and Chengren Expressway recorded a loss of approximately RMB37,898,000 as it was just put into operation in the Year and at the initial operation stage;
- (2) the newly commenced oil product sales business contributed a net profit of approximately RMB29,950,000; and
- (3) the finance costs for the Year saw a significant increase as set out in the paragraph headed "Finance Costs".

Analysis of Financial Position

Non-current Assets

As at 31 December 2012, the Group's non-current assets amounted to RMB15,547,151,000, representing an increase of 18.84% as compared with the end of 2011. The increase was mainly due to:

- (1) the addition in property, plant and equipment of RMB97,177,000 for the Year;
- (2) an increase of RMB3,248,675,000 in service concession arrangements (including a total of RMB95,362,000 for technological renovation projects on road surface of Chengyu Expressway, Chengya Expressway and Chengle Expressway and RMB3,153,313,000 for Chengren Expressway and Suiguang Suixi Expressways BOT projects);
- (3) a total of RMB413,848,000 in provision of depreciation and amortization for intangible assets;
- (4) a decrease of RMB481,030,000 in prepayment related to purchase and construction of non-current assets; and
- (5) an increase of RMB18,270,000 in advanced payment for land appropriation and relocation under BT projects to be recovered after one year.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Current Assets and Current Liabilities

As at 31 December 2012, the current assets of the Group amounted to RMB3,789,249,000, representing an increase of 3.19% as compared with the end of 2011, mainly attributable to:

- (1) an increase of RMB109,387,000 in the closing balance of cash and cash equivalents as compared with the end of 2011 due to the Company's issue of medium term notes, increase in external borrowings, partially offset by the use of cash and cash equivalents in operating and investing activities this Year;
- (2) an increase of approximately RMB11,170,000 in inventories as compared with the end of 2011 mainly due to the increase of approximately RMB19,222,000 in oil reserves of Zhonglu Energy Company and Chengya Oil Company, and a decrease of approximately RMB8,052,000 in the construction materials of Shugong Company.

As at 31 December 2012, the Group's current liabilities amounted to RMB2,795,889,000, representing a decrease of 32.12% as compared with the end of 2011, mainly attributable to repayment of the short-term commercial papers of RMB2 billion issued in 2011, an increase of approximately RMB666,000,000 in bank loans, an increase of approximately RMB8,816,000 in tax payable, and partial payment of progress billing for completed projects, which led to the decrease in trade and other payables of RMB2,020,000.

Non-current Liabilities

As at 31 December 2012, the non-current liabilities of the Group amounted to RMB6,094,085,000, representing an increase of 94.80% as compared to the end of 2011, which was principally attributable to an increase in three-year bank loan of RMB1,000,000,000, an increase of RMB700,000,000 in medium-term notes, an increase of RMB1,300,849,000 in bank loans for Chengren Expressway construction project (additional loans obtained for the project in the Year amounted to RMB1,800,849,000, of which RMB500,000,000 was repaid in advance by the Company in December 2012), and repayment of other loans amounting to RMB22,727,000.

Equity

As at 31 December 2012, the Group's equity amounted to RMB10,446,426,000, representing an increase of 9.88% as compared with the end of 2011, mainly attributable to: (1) net profit for the Year of RMB1,210,911,000 which increased the equity; (2) 2011 final dividend of RMB275,225,000 declared in the Year which decreased the equity.

Capital Structure

As at 31 December 2012, the Group had total assets of RMB19,336,400,000 and total liabilities of RMB8,889,974,000. The gearing ratio, which was calculated as the Group's total liabilities divided by its total assets, was 45.98% (2011: 43.26%), with no significant changes as compared with the end of 2011.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Cash Flow

As at 31 December 2012, the closing balance of the cash and bank balance of the Group amounted to RMB1,898,327,000, including approximately HK\$62,000 (equivalent to approximately RMB50,000) deposits in Hong Kong dollars, and approximately RMB1,898,277,000 cash and deposits in Renminbi, representing a net increase of RMB109,387,000 over the end of 2011. During the Year, the Group's net cash outflow from operating activities amounted to RMB783,809,000 (2011: RMB1,535,162,000), representing a decrease of net cash outflow of RMB751,353,000 from 2011.

During the Year, the cash outflow of the Group mainly consisted of expenditures of RMB1,917,557,000 in cash for the Company's daily operation and management, which increased by RMB543,991,000 over last year. In particular: (1) cash expenditure for goods purchased and labour services received increased by approximately RMB539,248,000 from last year, which was mainly attributable to the increase in costs and expenses as a result of the commencement of oil product sales business and operation of Chengren Expressway; (2) RMB338,680,000 was paid for various taxes; (3) RMB141,515,000 was paid for additional property, plant and equipment acquired and technical renovation projects on road surface of Chengyu Expressway, Chengya Expressway and Chengle Expressway, and RMB2,540,304,000 (including capitalised interest) and RMB118,298,000 were paid for construction of Chengren Expressway and Suiguang Suixi Expressways respectively; (4) RMB273,425,000 was paid for interest expenses (excluding the capitalised interests for Chengren Expressway); (5) approximately RMB288,446,000 was paid for dividends (including dividends to non-controlling shareholders).

Capital Commitments

Details of the Group's capital commitments as at 31 December 2012 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 settled 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.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

Borrowings and Solvency

As at 31 December 2012, the Group's interest-bearing bank and other loans amounted to RMB6,851,594,000, all of which bore fixed interest rates. In particular, the balance of domestic bank loans was RMB4,558,412,000, with annual interest rates ranging from 5.265% to 7.05%; the balance of overseas bank loans was RMB1,550,000,000, with annual interest rates ranging from 5.78% to 6.4288%; the balance of other loans amounted to RMB43,182,000, with annual interest rates ranging from 2.82% to 5.00%; and the outstanding medium-term notes amounted to RMB700,000,000, with annual interest rates ranging from 4.75% to 5.57%. The relevant balances are set out as follows:

	Maturity profile of interest-bearing borrowings			
	Total amount	Within 1 year	From 1 year to 5 years	Over 5 years
	RMB'000	RMB'000	RMB'000	RMB'000
Loans from domestic commercial banks	4,558,412	193,000	1,145,500	3,219,912
Loans from overseas commercial banks	1,550,000	550,000	1,000,000	—
Other loans	43,182	22,727	20,455	—
Medium-term notes	700,000	—	700,000	—
Total (as at 31 December 2012)	6,851,594	765,727	2,865,955	3,219,912
Total (as at 31 December 2011)	5,220,471	2,099,727	1,402,307	1,718,437

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 and enjoyed most preferential interest rates for its loans. The Group has acquired bank facilities of RMB3,787 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 the PRC 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 2012, RMB3,911 million had been drawn down on an accumulative basis.

Contingent Liabilities and Pledge of Assets

As at 31 December 2012, the Group's time deposits of RMB10,868,000 and RMB10,333,000, respectively (2011: RMB10,522,000 and RMB10,000,000, respectively) were pledged to secure Chengren Expressway BOT Project and Suiguang Suixi Expressways BOT Project respectively; time deposits of RMB56,450,000 (2011: nil) were pledged to secure bank loans; the concession rights to collect toll income pertaining to Chengbei Exit Expressway and Chengle Expressway with the net carrying values of RMB153,640,000 and RMB1,144,993,000, respectively (2011: RMB167,937,000 and RMB1,179,656,000, respectively) were pledged to secure bank loans amounting to RMB91,000,000 and RMB106,400,000, respectively (2011: RMB78,000,000 and RMB106,400,000, respectively); the concession rights to collect toll income pertaining to Chengren Expressway with net carrying value of RMB7,469,649,000 (2011: RMB4,581,868,000) was pledged to secure the syndicated loan amounting to RMB3,911,012,000 (2011: RMB2,610,162,000).

Save as disclosed above, the Group did not have any other contingent liabilities, pledge of assets or guarantees as at 31 December 2012.

III. BUSINESS DEVELOPMENT PLANS

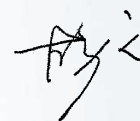
Based on our analysis and judgment of the business conditions, policy climate and our own development status, and in line with our business targets for year 2013, we formulated the following business plans:

1. Tighten up management of the Group's road assets operation. The Company will manage toll collection in a standard, systematic and sophisticated way, exploit potential and increase efficiency, strengthen roads marketing, enhance quality and civilized service level, improve mechanical and electrical facilities management, step up cultivation of the inspection team, together with other means, so as to enhance the profitability of the Group's principal businesses.
2. Vigorously develop businesses in relation to transport infrastructure investment and construction. On the one hand, the Company will continue to proceed properly with the projects under construction, strengthen project management and supervision to ensure achievement of pre-set goals in respect of the schedule, quality, construction costs and safety; on the other hand, the Company will identify and store up quality pipeline projects with good economic benefits and great growth potential so as to lay a solid foundation for business expansion in the future.
3. Step up efforts for the development of expressway-related industries. The Group will integrate the resources along its expressways, improve service function and vigorously expand related businesses such as oil product sales, advertising, land leasing and real estate development to foster new profit drivers for the development of the Group on the back of its existing advantages.
4. Strengthen financial management. We will tighten up financial budget management as well as cost and expense control. Meanwhile, under the premises of financial security, we will proactively explore various financing channels, step up capital operation, turn our credit and product advantages into financial edges, secure low-cost capital through diverse means, and accelerate capital expansion with an aim to ensure sufficient cash flow and financial resources to support the Group's liability level and business expansion.

MANAGEMENT DISCUSSION AND ANALYSIS (Continued)

5. Further optimise construction of the human resources system. We will step up efforts in the introduction and cultivation of talents, and gradually establish six in-house professional teams in expressway management, construction management, expressway-related industries, investment and development, capital operation and real estate development on the principle of streamlining for high efficiency and innovating for further development. Furthermore, we will innovate the incentives and distribution mechanism to fully activate our employees' passion and creativity at work, enhance their professional skills and comprehensive competence, strengthen development of corporate culture and corporate cohesion, so as to provide human resources backup for the development of the Group.
6. Continuously enhance comprehensive corporate management capability and efficiency. Based on "innovative management", we will adjust the existing management system and models when and as appropriate, improve the "group-based" management architecture, optimise organisational structure, cut decision-making hierarchies to boost work efficiency, strengthen execution efficiency and creativity under new circumstances, and put in place a sound corporate management system with definite division between power and obligations, scientific management and high efficiency.

Looking into the future, we will seize the historical opportunities of leapfrog development in the transportation sector of Sichuan and the construction of Chengyu Economic Zone. In line with the Group's overall requirement to "exploit advantages, expedite development" and under the development guideline of "expanding one main body and two wings, and strengthening capital operation", we strive to enhance and expand business development potential and asset scale of the Group, thus building the Company into a large infrastructure conglomerate with distinguished principal business, well-developed auxiliary business, stable operation, sound governance and supreme management standards.



Gan Yongyi

Vice Chairman and General Manager

Chengdu, Sichuan, the PRC
28 March 2013

CORPORATE GOVERNANCE REPORT

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 Corporate Governance Code 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, the Company has complied with the provisions as set out in the Code on Corporate Governance Practices (effective until 31 March 2012), and the Corporate Governance Code ("Code", effective from 1 April 2012), as set out in Appendix 14 to the Listing Rules of the Stock Exchange except that Mr. Zhou Liming and Mr. Gao Chun were unable to attend the annual general meeting of the Company held on 29 May 2012 and the extraordinary general meeting of the Company held on 31 October 2012 in accordance with the code provision A.6.7 under the Code due to significant business engagement.

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 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 and completed the corporate governing system of the Company in accordance with relevant requirements of regulatory authorities. In March 2012, the Board of the Company formulated and approved the Detailed Implementation Rules for the Strategic Committee under the Board, the Detailed Implementation Rules for the Nomination Committee under the Board, the Detailed Implementation Rules for the Remuneration and Appraisal Committee under the Board and the Procedures For Election of Directors, and amended the Detailed Implementation Rules for the Audit Committee under the Board and the Rules for Management of Insider Information. In May 2012, the newly revised Administrative Measures for External Investment, Decision Making Principles on Connected Transactions and Administrative Measures for Fund Transfers with Connected Persons and External Guarantees were considered and approved at the general meeting of the Company. In October 2012, as approved at the general meeting of the Company, the Company amended and improved the provisions of the Articles of Association in relation to the profit distribution policy to further specify the decision making procedure and mechanism for profit distribution, specific conditions for making adjustments, the mode of profit distribution, time intervals for distribution, specific conditions and proportions of dividends in the form of cash and shares. The amended Articles of Association provides that the sum of any cash dividend shall not be less than 30% of the distributable profit earned by the Company for the period concerned (the lower of the profit attributable to shareholders under the PRC and overseas accounting standards respectively); Shareholders and investors can inspect the details on the formulation and amendment of the said rules and regulations on the websites of the Shanghai Stock Exchange, the Stock Exchange and 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, the Company has launched the construction of the corporate internal control system in an all-around way since the second half of 2010 and promptly completed the preparation and test of the Internal Control Manual as well as self-assessment and audit of internal control for the year 2011. In 2012, the Company continued to promote the implementation of internal control standards through publicizing, implementation of and providing training on the Internal Control Manual, maintenance of the Internal Control Manual (including revisions, additions and deletions and improvements), preparation and unification of internal control assessment template, and internal control testing and assessment.

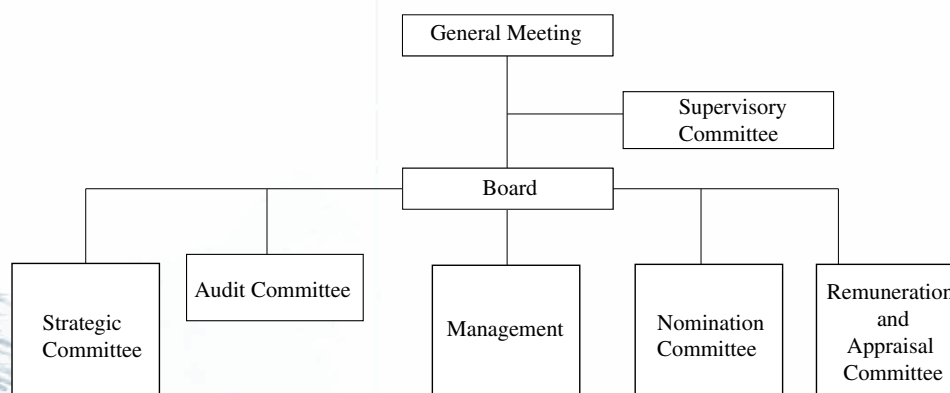
The Board is responsible for establishing and effectively implementing a sound internal control system, over which the supervisory committee shall exercise supervision. The management is responsible for organizing and implementing the day to day operation of the Company’s internal control. Through making self-assessment of the design and implementation effectiveness of the Company’s internal control as at 31 December 2012, the Board considers that, in terms of such businesses and matters as included in the scope of assessment, the Company had put 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 (Special General Partnership) has audited the effectiveness of the relevant internal control for financial reporting of the Company and issued auditors’ reports with standard unqualified opinions.

In the future, the Company will continue to press ahead with the implementation of the corporate internal control system, and optimize the internal control system based on its existing system, and practically establish and implement a corporate internal control system with definite division between powers and obligations, scientific management and high efficiency.

CORPORATE GOVERNANCE REPORT (Continued)

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. Notice of, authorization from and consideration 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 21.73% equity interest). 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 and Rights of Shareholders

As the highest authority of the Company, the general meeting exercises its power in determining material matters of the Company pursuant to the laws. Shareholders requisitioning extraordinary general meetings of Shareholders or class meetings shall abide by the following procedures: Shareholders individually or collectively holding 10% (inclusive) or more of the Shares of the Company shall sign one or more counterpart requisitions stating the subject of the meeting and requiring the Board to convene a Shareholders' extraordinary general meeting or a class meeting. The Board shall as soon as possible proceed to convene the extraordinary general meeting of Shareholders or a class meeting after receiving the requisition; The Board shall furnish a written reply stating its agreement or disagreement to the convening of the extraordinary general meeting within ten (10) days after receiving such requisition; in the event that the Board agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after the passing of the relevant resolution of the Board; in the event that the Board does not agree to convene an extraordinary general meeting or does not furnish any reply within ten (10) days after receiving such proposal, Shareholders individually or collectively holding 10% or more of the Company's Shares shall be entitled to propose to the Supervisory Committee the convening of the extraordinary general meeting; in the event that the Supervisory Committee agrees to convene an extraordinary general meeting, the notice of the general meeting shall be issued within five (5) days after receiving such request; failure of the Supervisory Committee to issue the notice of the general meeting shall be deemed as failure of the Supervisory Committee to convene and preside over a general meeting, and Shareholders individually or collectively holding 10% or more of the Company's Shares for ninety (90) consecutive days or more may convene and preside over the meeting by themselves.

The annual general meetings or other extraordinary general meetings in each year provide a channel of direct communication between the Board and Shareholders. The Company encourages all Shareholders to attend general meetings and issues the meeting notice within 45 to 50 days prior to the convening of the meetings, 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. In accordance with the provisions under the Articles of Association, Shareholders individually or collectively holding more than 3% of the Company's Shares can make a temporary motion and submit in writing to the convener ten (10) days before the date of Shareholders' general meeting. The convener shall issue a supplementary notice of the Shareholders' general meeting announcing the contents of the temporary motion within two (2) days upon receipt of the motion. At the general meetings, all Shareholders also have opportunities to make enquiries to the Directors about issues concerning the operation and results of the Group. All Directors and senior management of the Company 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.

CORPORATE GOVERNANCE REPORT (Continued)

In 2012, the Company convened 3 general meetings. The convening of and matters approved at the meetings are summarized as follows:

Session and Number of Meeting	Date of Meeting	Name of Proposals	Resolutions
2012 first extraordinary general meeting	13 January 2012	1. Proposal in respect of the project on the investment in Suining – Guang'an Expressway and Suining – Xichong Expressway and other related matters	All the resolutions were duly considered and passed.
2011 annual general meeting	29 May 2012	<ol style="list-style-type: none"> 1. Proposal in respect of the Administrative Measures for External Investment (revised in 2012) of the Company; 2. Proposal in respect of the Decision Making Principles on Connected Transactions (revised in 2012) of the Company; 3. Proposal in respect of the Administrative Measures for Fund Transfers with Connected Persons and External Guarantees (revised in 2012) of the Company; 4. Proposal in respect of the Scheme of Profit Distribution and Dividend Payment for 2011; 5. Proposal in respect of 2011 Implementation Report of Financial Budget of the Company; 6. Proposal in respect of the 2011 domestic and overseas annual reports and their summaries, etc., of the Company; 7. Proposal in respect of the 2011 domestic and overseas work reports of the Board of Directors of the Company; 8. Proposal in respect of the 2011 domestic and overseas work reports of the supervisory committee of the Company; 9. Proposal in respect of the 2011 duty performance report of independent non-executive directors of the Company; 10. Proposal in respect of the Company's financial budget for the year of 2012; 11. Proposal in respect of the re-appointment of Ernst & Young Certified Public Accountants as the international auditor of the Company for the year 2012; 12. Proposal in respect of the re-appointment of Shingwing Certified Public Accountants as the PRC auditor of the Company for the year 2012. 	All the resolutions were duly considered and passed.
2012 second extraordinary general meeting	30 October 2012	1. Proposal in relation to the amendments to the Articles of Association	The resolution was duly considered and passed.

In addition to the said communication with the Board by means of general meetings, Shareholders can also submit their enquiries and questions in writing to the Board through the Secretary to the Board at any time. The contact details of Mr. Zhang Yongnian, the Secretary to the Board, are as follows:

Tel.: (86) 28-8552 7510
 Fax: (86) 28-8553 0753
 E-mail: cygszh@163.com
 Contact Address: 252 Wuhouci Da Jie, Chengdu, Sichuan Province, the PRC
 Postal Code: 610041

(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. The Board has established 4 special committees and assigned certain specific powers to each committee to assist the Board in effective performance of duties. The composition, responsibilities and functions of each committee are set out in the section headed "Special committees of the Board" in this chapter. Unless otherwise stipulated in the terms of reference of relevant committees, the Board reserves the final right to make decisions.

The management is accountable to the Board. Its major responsibilities are to implement the resolutions of the Board, manage the Company's day-to-day operations, organize the implementation of the Company's annual business plan and investment plan, and make relevant decisions in accordance with laws and regulations and the authorisation of the Board. When the Board delegates powers in respect of management and administrative functions to the management, it has given clear guidance on the powers of the management. In exercise of duties, the management should not exceed the scope of its duties.

In order to ensure that there is an appropriate balance of power between the Board and the management and that there is no undue concentration of power and authority in a single individual, 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 other senior management of the Company, is responsible for coordinating and managing the Group's business and operations, implementation of the strategies formulated by the Board and day-to-day 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.

CORPORATE GOVERNANCE REPORT (*Continued*)

2. Composition

In 2012, 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 of the Company is set out in VIII "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 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 of the Company.

3. Meetings of the Board

During the Year, the Board of the Company convened a total of 7 Board meetings in view of the needs of the operation and business development of the Company. Board meetings and relevant resolutions are published on the websites of the Stock Exchange, the SSE and the Company for inspection by Shareholders and investors.

The Board holds regular meetings on a quarterly basis and extraordinary meetings if necessary. The notice of regular Board meeting shall be sent to all Directors at least 14 days before the meeting, the notice of other extraordinary Board meetings shall be sent to all Directors at least 10 days before the meeting. The Chairman, more than one third of Directors, more than one half of independent non-executive Directors, the Supervisory Committee, General Manager and Shareholders representing more than one tenth of voting rights have rights to propose the convening of an extraordinary 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 required. The Company has stated in the Articles of Association that, if a Director has a conflict of interest in any material matter, the connected Director must abstain from voting at the Board meeting.

CORPORATE GOVERNANCE REPORT (Continued)

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 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. 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 decisions by the Directors and ensures procedures of the Board and the applicable laws and regulations are duly observed.

In 2012, the participation of Directors in sustainable professional development activities is as follows:

Name of Director	Type of Activity	
	Reading materials in respect of traffic and transportation, corporate governance, capital operation and financial accounting	Participation in centralized trainings and attendance in forums, seminars and meetings on regulatory work
Zhou Liming	✓	✓
Zhang Zhiying	✓	✓
Zhang Yang	✓	✓
Tang Yong	✓	✓
Gao Chun	✓	✓
Wang Shuanming	✓	✓
Liu Mingli	✓	✓
Hu Yu	✓	✓
Luo Xia	✓	✓
Feng Jian	✓	✓
Zhao Zesong	✓	✓
Xie Bangzhu	✓	✓

In addition, the Secretary to the Board of the Company has also accepted professional training of no less than 15 hours in accordance with Rule 3.29 of the Listing Rules.

CORPORATE GOVERNANCE REPORT (Continued)

3. Duty performance this Year

During the Reporting Period, the members of the Board of the Company were 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.

In 2012, the attendance of the Board meetings and general meetings by the Directors is as follows:

Name of Director	Required attendance in Board meetings during the Year	Attendance of Board meetings			Attendance of general meetings	
		Attendance in person	Attendance via communications	Attendance by proxy	Number of attendance/meeting	Number of attendance/meeting
Zhou Liming	7	6	0	1	6/7	2/3
Zhang Zhiying	7	7	0	0	7/7	3/3
Zhang Yang	7	7	2	0	7/7	3/3
Gao Chun	7	6	0	1	6/7	2/3
Tang Yong	7	7	0	0	7/7	3/3
Wang Shuanming	7	5	0	2	5/7	3/3
Liu Mingli	7	7	0	0	7/7	3/3
Hu Yu	7	7	2	0	7/7	3/3
Luo Xia	7	7	0	0	7/7	3/3
Feng Jian	7	7	0	0	7/7	3/3
Zhao Zesong	7	7	0	0	7/7	3/3
Xie Bangzhu	7	7	0	0	7/7	3/3

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

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 2012, 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, nomination of 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.

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. The Board (considering the opinions of the Remuneration and Appraisal Committee) and the Supervisory Committee should make suggestions on the remunerations schemes for Directors and Supervisors which are subject to final consideration and approval at the general meeting. The year-end bonus and welfares for executive Directors should be determined by the Board as authorized by the general meeting, after giving consideration to the opinions of the Remuneration and Appraisal Committee. Information on the remunerations of Directors and Supervisors of the Company for 2012 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.

8. Responsibility statement on financial statements by the Directors

The Directors confirm that they have the responsibility to prepare the financial statements that can give a true and complete view of the Group's financial position. The Board is of the opinion that as the Company's resources are sufficient for its operation in future, the financial statements have been prepared based on the going concern, and that in preparation of such financial statements, applicable accounting policies were adopted.

CORPORATE GOVERNANCE REPORT (Continued)

(III) Special committees of the Board

In order to help the Board to discharge its duties and promote effective operation, 4 special committees have been set up under the Board. These committees review and monitor matters in specific areas of the Company within their designated terms of reference, and make corresponding recommendations to the Board. The detailed implementation rules for each committee has been approved by the Board and published on the websites of the Stock Exchange, the SSE and the Company for inspection by Shareholders and investors.

Members of the committees shall be elected and appointed by the Board in accordance with the provisions under the detailed implementation rules for their respective committees. The term of office of the members is the same with that of the Board, renewable upon re-election. The composition and duty performance of the committees during the Reporting Period are set out as follows:

Name of Director	Role of Director	Audit Committee		Strategic Committee		Nomination Committee		Remuneration and Appraisal Committee	
		Member	Number of	Member	Number of	Member	Number of	Member	Number of
		(“√”)	Chairman attendance/ meeting	(“√”)	Chairman attendance/ meeting	(“√”)	Chairman attendance/ meeting	(“√”)	Chairman attendance/ meeting
Tang Yong Note	Executive Director; Non-executive Director	–	–	*	2/2	–	–	–	–
Zhang Zhiying Note	Executive Director; Non-executive Director	–	–	√	2/2	√	1/1	–	–
Liu Mingli	Executive Director	–	–	–	–	–	–	√	2/2
Luo Xia	Independent non-executive Director	*	7/7	–	–	–	–	√	2/2
Feng Jian	Independent non-executive Director	√	7/7	–	–	*	1/1	–	–
Zhao Zesong	Independent non-executive Director	√	7/7	–	–	√	1/1	*	2/2
Xie Bangzhu	Independent non-executive Director	–	–	√	2/2	–	–	–	–

Note: From 1 January 2012 to 16 November 2012, Mr. Tang Yong and Mr. Zhang Zhiying served as the executive Directors of the Company; from 16 November 2012 to 28 March 2013, Mr. Tang Yong and Mr. Zhang Zhiying served as the non-executive Directors of the Company.

CORPORATE GOVERNANCE REPORT (Continued)

On 28 March 2013, the Company convened the 2013 first extraordinary general meeting, at which the members of the fifth session of the Board of the Company were elected and appointed. On the same day, the Company convened a Board meeting to re-elect and appoint the members of each special committee of the Board of the Company. The composition of new committees is as follows:

Name of Director	Role of Director	Audit Committee	Strategic Committee	Nomination	Remuneration and
		Member ("√") Chairman ("**")	Member ("√") Chairman ("**")	Committee Member ("√") Chairman ("**")	Appraisal Committee Member ("√") Chairman ("**")
Zhou Liming	Executive Director	–	*	√	–
Gan Yongyi	Executive Director	–	√	–	√
Sun Huibi	Independent non-executive Director	–	–	*	–
Guo Yuanxi	Independent non-executive Director	√	–	√	–
Fang Guijin	Independent non-executive Director	√	√	–	*
Yu Haizong	Independent non-executive Director	*	–	–	√

1. Audit Committee

The Company set up the Audit Committee in November 2004. In March 2012, in order to comply with the revised Corporate Governance Code, the Company reviewed and amended the Detailed Implementation Rules for the Audit Committee. The adjusted terms of reference of the Audit Committee are as follows: to review the Company's financial information and its disclosure; to perform corporate governance functions, and supervise the Company's internal control, financial reporting system and risk management procedures; to make recommendation on the appointment and dismissal of external accountants, review and monitor the external accountant's independence and objectivity and the effectiveness of the audit process; and to work with the Board to formulate policies concerning the Company's engagement of accountants and supervise the implementation of such policies.

In respect of the performance of corporate governance functions by the Audit Committee, the Board has authorized the committee to perform the following functions: to formulate and review the Company's corporate governance policies and practices and make recommendations to the Board in respect thereof; to review and monitor the Company's compliance with the regulatory systems under the laws and regulations (including but not limited to the Listing Rules) and regulatory authorities (including but not limited to the Stock Exchange and the SSE); to formulate, review and monitor the code of conduct and compliance manual (if any) for the Company's staff and Directors; and to review the Company's compliance with the Corporate Governance Code (as amended time from time) set out in the Appendix 14 to the Listing Rules of the Stock Exchange and the disclosure of such compliance in the Corporate Governance Report in its periodical reports as required under the Listing Rules.

CORPORATE GOVERNANCE REPORT *(Continued)*

The committee hereby presents its work report during 2012 as follows:

Written Report of the Audit Committee

The Audit Committee convened 7 meetings in 2012, and 2 meetings in 2013 (as at the date of this report), which were presided over by Madam Luo Xia, the chairman of the Audit Committee. All members of the committee attended the meetings in person. The external accountants and Supervisors, Secretary to the Board and Financial Controller of the Company were also invited to attend the meetings. The major work completed by the Audit Committee during the said period is as follows:

— **Reviewing regular financial reports**

The Audit Committee is responsible for examining and supervising the integrity of the Company financial statements, accounts and periodical reports, and reviewing significant financial reporting judgments contained in such statements and reports. 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. In reviewing these statements and reports before submission to the Board, the Audit Committee should focus particularly on any changes in accounting policies and practices, significant adjustments resulting from audit and the going concern assumptions and any qualified opinion. The specific work includes:

- (1) Reviewing the 2011 annual financial statements and unaudited financial statements for the second half year of 2012 (according to the HK GAAP and the PRC GAAP), unaudited financial statements for the first and third quarters of 2012 (according to the PRC GAAP), and making approval suggestions to the Board.
- (2) Before the annual audit of 2012, the Audit Committee convened a meeting to hear the plan for preparation and annual audit of 2012 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 2013 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, who submitted this Year's audit report on time after prior and complete communications and prompt supervision during the audit.

CORPORATE GOVERNANCE REPORT (*Continued*)

- (5) The Audit Committee convened the 2013 second meeting to consider the 2012 annual audit report of the Company and considered that the Group's 2012 annual financial statements can truly and correctly reflect the operation results of the Group for this Year and the financial position as at 31 December 2012. It recommended the Board to make approval.

— **Internal control reviewing**

The Audit Committee is responsible for assisting the Board in reviewing the effectiveness of the Group's internal control. During the Year, the Audit Committee inspected the progress of internal control construction on a regular basis, earnestly reviewed the Internal Control Manual in areas such as the corporate-level control and business-level control, focused on the examination of the implementation of rectification for the general defects found in the 2011 Self-assessment Report of Corporate Internal Control, and reviewed the effectiveness of the Group's internal control (including finance, operation, compliance control and risk management functions), and the resources and qualifications and experience of staff in respect of the Company's accounting and financial reporting functions and the sufficiency of training sessions for staff and relevant budgets. On this basis, the Audit Committee reviewed the 2012 Self-assessment Report of Corporate Internal Control of the Company and was of the opinion that the report gave a comprehensive and objective view of the establishment and operation of the internal control system of the Company, and that the Company has established a relatively complete internal control system and is continuously optimizing and improving the system, which plays favourable supervision and guiding functions for the standard operation of the Company.

— **Corporate governance reviewing**

During the Year, the Audit Committee also performed the corporate governance functions delegated by the Board, reviewed the compliance with the regulatory rules under the Code on Corporate Governance Practices and the Corporate Governance Code, and laws and regulations, and reviewed the information disclosed in the Corporate Governance Report of the Company.

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

The Audit Committee considered that Ernst & Young Certified Public Accountants and Shinewing Certified Public Accountants (Special General Partnership) appointed by the Company as the auditors of the Company for 2012 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 2013 respectively.

Luo Xia, Feng Jian, Zhao Zesong

Members of the Audit Committee

28 March 2013

2. Strategic Committee

The Company established the Strategic Committee in March 2012. 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.

During the Year, the Strategic Committee earnestly reviewed the development strategies and planning proposed by the Investment Department of the Company for the last three years of the "12th Five-year Plan" period and the following ten years and considered that the development strategies and planning were in compliance with the actual situation of the Company and were conducive to the sustainable development of the Company; in addition, the committee conducted an in-depth discussion on the proposed projects of the Company, and earnestly reviewed the feasibility study reports on relevant projects and proposed appropriate suggestions.

3. Nomination Committee

The Company established the Nomination Committee in March 2012. 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 managers, and give suggestions to the Board; to seek qualified candidates for Directors and managers 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 senior 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.

During the Year, the Nomination Committee discussed and reviewed the Directors Nomination Procedures of the Company; and reviewed the experience and background of Mr. Zhou Liming and Mr. Gan Yongyi, and put forward suggestions on the election of Mr. Zhou Liming as the Chairman of the Company and Mr. Gan Yongyi as the General Manager of the Company by the Board. At the beginning of 2013, during the election of the new session of the Board of the Company, the committee also studied the setup and composition of the new session of Board and its special committees and the management, and selected candidates in accordance with the standards required for performance of duties, including core skills for relevant positions, dedication time, etc., and reviewed relevant qualifications.

4. Remuneration and Appraisal Committee

The Company established the Remuneration and Appraisal Committee in March 2012. The Remuneration and Appraisal Committee has adopted the operation mode of performing the advisory role for the Board and the committee is responsible for reviewing the matters regarding remuneration, formulating remuneration policies and putting forward suggestions to the Board on the remuneration policies, formulating assessment standards for the Directors and senior management of the Company and conducted assessment, and reviewing and monitoring the training and continuing professional development of Directors and senior management members.

During the Year, the Remuneration and Appraisal Committee put forward suggestions to the Board on the adjustment of remunerations for Mr. Zhou Liming and Mr. Tang Yong, both being Directors, and Mr. Gan Yongyi, the General Manager, and conducted assessment and evaluation on the operation performance and sustainable professional development of the executive Directors and the management of the Company for 2012. At the beginning of 2013, during the election of the new session of the Board of the Company, the committee earnestly reviewed the proposed new Directors' service contracts and submitted the proposed plan to the Board on the remunerations for Directors of the fifth session of the Board and for the management with reference to the market level and based on the actual situation of the Company and candidates. The plan on the remunerations for Directors was submitted to and approved at the 2013 first extraordinary general meeting.

III. Supervisory Mechanism

(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 office 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 4 meetings in total. 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 the 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 and improvement of internal control of the Company 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. The Board authorises the management to promote the internal control system and review its effectiveness through the Audit Committee.

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.

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, and in light of the "Guidelines on Internal Control for Companies Listed on the SSE" by the SSE and the Code, the Company has launched the construction of corporate internal control system in an all-around way since the second half of 2010, further specifying the tasks and targets for the establishment and improvement of the internal control system, self-assessment and auditing. During the Reporting Period, all the main tasks progressed as scheduled, and the Company's internal control system was further strengthened. For details, please refer to "Establishment and improvement of the internal control system of the Company" in this section.

(III) Auditors

The financial statements included in the 2012 Annual Report of the Company were prepared in accordance with the PRC Accounting Standards for Business Enterprises and the Hong Kong Financial Reporting Standards, respectively, and have been audited by Shinewing Certified Public Accountants (Special General Partnership) and Ernst & Young Certified Public Accountants respectively. The statements by the auditors on their reporting and auditing responsibilities for the financial statements are set out in the independent auditors' report contained in this Annual Report.

CORPORATE GOVERNANCE REPORT (Continued)

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

Unit: RMB'000

Items	2012		2011	
	Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants	Shinewing Certified Public Accountants (Special General Partnership)	Ernst & Young Certified Public Accountants
Fees for audit/review of financial statements	520	1,660	500	1,610
Audit fee of internal control	180	—	150	—

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 (Special General Partnership) and Ernst & Young Certified Public Accountants and the annual audit for 2012 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 (Special General Partnership) as the Company's international and PRC auditors for 2013 respectively were approved by the Board and will be presented at the 2012 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 4 periodic reports and 46 announcements concerning A Shares and 59 announcements concerning H Shares pursuant to the Listing Rules of the SSE and the Stock Exchange. Announcements concerning A Shares were published on the websites of the 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 the Stock Exchange and the Company. Details of all these announcements are available for inspection on <http://www.sse.com.cn>, <http://www.hkex.com.hk> and/or the Company's website <http://www.cygs.com>.

CORPORATE GOVERNANCE REPORT *(Continued)*

Investor relations

The Company's management has been attaching importance to proactive investor relations management and specifically established the Rules Governing Information Disclosure Matters and Work System of Investor Relations, etc., 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 with, 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; reception of investors and institutions engaged in securities analysis for field research; 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, etc.

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.

REPORT OF THE DIRECTORS

The Board hereby present its report and the audited financial statements for the year ended 31 December 2012.

Principal activities

The principal activities of the Company are investment in, construction, operation and management of Chengyu Expressway, Chengya Expressway and Chengren 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 2012 are as follows:

	Origin/ destination	Approximate length	Date of commencement of operations of the entire toll expressway
Chengyu Expressway	Chengdu/Shangjiapo	226km	1 July 1995
Chengya Expressway	Chengdu/Duiyan	144km	28 December 1999
Chengren Expressway	Jiangjia/Zhichanggou	106.613km	18 September 2012
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 2012 and the financial position of the Company and the Group at that date are set out in the audited financial statements on pages 83 to 168 herein.

Pursuant to the Articles of Association, if the Company distribute cash dividend, the Company shall distribute cash dividend in an amount not less than 30% of the distributable profit earned by the Company for the period concerned, 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 enterprises established in the PRC ("PRC GAAP"); and
- Hong Kong Financial Reporting Standards ("HKFRSs") (which also include Hong Kong Accounting Standards ("HKASs") and Interpretations) 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.

REPORT OF THE DIRECTORS *(Continued)*

The Board has recommended a final cash dividend for the year 2012 of RMB0.08 per share (tax inclusive), aggregating to approximately RMB244,645,000 and representing 31.37% of the distributable profit of the Company determined under PRC GAAP for the Year and 20.72% of the profit attributable to owners of the Company as shown in the consolidated financial statements. The proposed dividend distribution is subject to the approval of the Shareholders at the Company's forthcoming 2012 AGM. If approved, the final dividend is expected to be paid on or around Tuesday, 25 June 2013 to the Shareholders whose names appear on the H Shares register of members of the Company on Tuesday, 4 June 2013 (the "Dividend Entitlement Date"). 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 2012 AGM and to receive the proposed 2012 final dividend, please refer to the paragraph headed "CLOSURES OF REGISTER OF MEMBERS OF H SHARES" below.

This proposed final dividend has been presented separately 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/or 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.

REPORT OF THE DIRECTORS (Continued)

Summary financial information

A summary of the published results and assets, liabilities and non-controlling interests of the Group for the last five 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.

	2012 RMB'000	Year ended 31 December			
		2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
RESULTS					
PROFIT BEFORE TAX	1,439,828	1,565,020	1,366,236	986,046	701,849
Income tax expense	(228,917)	(245,978)	(210,131)	(148,475)	(104,269)
PROFIT FOR THE YEAR	1,210,911	1,319,042	1,156,105	837,571	597,580
Other comprehensive income for the year, net of tax	2,361	(12,592)	27,970	–	–
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	1,213,272	1,306,450	1,184,075	837,571	597,580
Profit attributable to:					
Owners of the Company	1,180,931	1,304,163	1,145,274	827,475	591,660
Non-controlling interests	29,980	14,879	10,831	10,096	5,920
	1,210,911	1,319,042	1,156,105	837,571	597,580
Total comprehensive income attributable to:					
Owners of the Company	1,183,291	1,291,576	1,173,234	827,475	591,660
Non-controlling interests	29,981	14,874	10,841	10,096	5,920
	1,213,272	1,306,450	1,184,075	837,571	597,580

REPORT OF THE DIRECTORS (Continued)

Assets, liabilities and non-controlling interests

	2012 RMB'000	As at 31 December			
		2011 RMB'000	2010 RMB'000	2009 RMB'000	2008 RMB'000
TOTAL ASSETS	19,336,400	16,754,726	11,897,333	10,605,777	9,834,361
TOTAL LIABILITIES	(8,889,974)	(7,247,450)	(3,473,336)	(3,160,087)	(3,465,877)
NON-CONTROLLING INTERESTS	(193,200)	(162,116)	(104,362)	(103,573)	(103,225)
EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY	10,253,226	9,345,160	8,319,635	7,342,117	6,265,259

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 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.

REPORT OF THE DIRECTORS (*Continued*)

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 Year.

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

As at 31 December 2012, the Company's reserves available for distribution, calculated in accordance with HK GAAP amounted to RMB2,345,155,000. The Company's distributable reserves as at 31 December 2012 determined under HK GAAP were lower than those 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 bridge while there is normally no major purchase in relation to its ordinary course of business, the five largest customers and suppliers of the Group contributed less than 30% of the total operating revenue and purchases, respectively, of the Group during the Year. Accordingly, a corresponding analysis of major customers and suppliers is not presented.

REPORT OF THE DIRECTORS (*Continued*)

Directors and Supervisors

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

Executive Directors:

Mr. Zhou Liming (*Chairman*)⁽ⁱⁱⁱ⁾
Mr. Tang Yong (*Chairman*)⁽ⁱ⁾
Mr. Zhang Zhiying (*Vice Chairman*)⁽ⁱⁱⁱ⁾
Mr. Liu Mingli

Non-executive Directors:

Mr. Zhang Zhiying (*Vice Chairman*)⁽ⁱⁱⁱ⁾
Madam Zhang Yang (*Vice Chairman*)
Mr. Tang Yong⁽ⁱ⁾
Mr. Zhou Liming⁽ⁱⁱ⁾
Mr. Gao Chun
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

On 16 November 2012, (i) Mr. Tang Yong resigned as the Company's Chairman and was re-designed from executive Director to non-executive Director, (ii) Mr. Zhou Liming was appointed as the Company's Chairman and re-designated from non-executive Director to executive Director, and (iii) Mr. Zhang Zhiying was re-designated from executive Director to non-executive Director.

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

REPORT OF THE DIRECTORS (*Continued*)

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" of the annual report.

Directors' service contracts

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

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

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 company, 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 2012, none of the Directors, Supervisors and chief executives had any interest or short position 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 SFO, or otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

REPORT OF THE DIRECTORS *(Continued)*

Substantial Shareholders' and other persons' interests in shares and underlying shares

As at 31 December 2012, Substantial Shareholders' and other persons' interests or short positions in the shares and underlying shares of the Company as recorded in the register of interests required to be kept by the Company pursuant to under 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	664,487,376	21.73%	30.72%	Beneficial owner
Matthews International Capital Management, LLC	H Shares	Long position	80,930,000	2.65%	9.03%	Investment manager

Save as disclosed above, as at 31 December 2012, no person had registered an interest or short position in the shares or underlying shares of the Company that was required to be recorded in the register of interests pursuant to Section 336 of the SFO.

REPORT OF THE DIRECTORS (*Continued*)

Directors' and supervisors' interests in competing businesses

During the Year and up to the date of this annual report, none of the directors or supervisors of the Company were considered to have 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, certain details of which are disclosed in compliance with the requirements of Chapter 14A of the Listing Rules:

- (a) 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 a certain part of its office buildings to Chengle Company at an annual rental of RMB1,195,000. The tenancy agreement was extended for another five years when the First Tenancy Agreement expired on 31 January 2009 at an annual rental of RMB1,138,000. During the Year, the rental paid to Sichuan Highway Development amounted to RMB1,138,000 (2011: RMB1,138,000).
- (b) On 24 December 2010, the Company and Sichuan Zhineng Transportation System Management Company Limited ("Zhineng Company") 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 RMB9,672,000 (2011: approximately RMB9,623,000) to Zhineng Company as service fee.
- (c) 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, and was extended at RMB2,442,000 per annum for another one year since 1 October 2012. During the Year, the rental received from STI Group amounted to RMB2,136,000 (2011: RMB2,035,000).

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

REPORT OF THE DIRECTORS (*Continued*)

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

Ernst & Young, the Company's auditors, were engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. Ernst & Young have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.38 of the Listing Rules. A copy of the auditors' letter has been provided by the Company to the Stock Exchange.

Sufficiency of public float

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

Events after the Reporting Period

Details of significant events after the Reporting Period of the Group are set out in note 34 to the financial statements.

Auditors

Shinewing Certified Public Accountants and Ernst & Young Certified Public Accountants will retire and a resolution for their reappointment as domestic and international auditors of the Company will be proposed at the forthcoming 2012 AGM.

REPORT OF THE DIRECTORS (*Continued*)

Closures of register of members of H Shares

For the purposes of determining the shareholders' entitlement to attend the 2012 AGM and to receive the 2012 final dividend, the H Shares register of members of the Company will be closed during the following periods:

(a) In respect of attending and voting at the 2012 AGM

Deadline for lodging transfer documents	4:30 p.m. on 26 April 2013 (Friday)
Closure period of the H Shares register of members	From 27 April 2013 (Saturday) to 28 May 2013 (Tuesday) (both days inclusive)
Record date	28 May 2013 (Tuesday)
Date of the 2012 AGM	28 May 2013 (Tuesday)

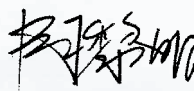
(b) In respect of the entitlement to 2012 final dividend

Deadline for lodging transfer documents	4:30 p.m. on 4 June 2013 (Tuesday)
Closure period of the H Shares register	From 5 June 2013 (Wednesday) to 10 June 2013 (Monday) (both days inclusive)
Dividend Entitlement Date	10 June 2013 (Monday)

In order to be entitled to attend and vote at the 2012 AGM, and to receive the 2012 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 above deadline for lodging transfer documents.

Shareholders are advised that the Company will make separate announcement on the SSE in respect of details of the arrangements regarding (i) the distribution of 2012 final dividend to A Shares Shareholders and (ii) details of A Shares Shareholders' eligibility for attending the 2012 AGM.

By order of the Board



Zhou Liming
Chairman

Chengdu, Sichuan, the PRC
28 March 2013

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES

I. Basic Information of Incumbent Directors, Supervisors, Senior Management and Employees for the Year

Name	Gender	Age	Length of services with the Company	Position during the Reporting Period	Total remuneration received from the Company for the Year (RMB'000) (before tax)
Zhou Liming (Note)	Male	49	From September 2002 to present	Director, Chairman	15.31
Zhang Zhiying	Male	50	From February 2003 to March 2013	Vice Chairman	13
Zhang Yang	Female	49	From May 2001 to present	Vice Chairman	13
Tang Yong (Note)	Male	48	From March 2007 to present	Chairman, Director	38.45
Gao Chun	Male	56	From June 2005 to March 2013	Director	13
Wang Shuanming	Male	53	From March 2007 to present	Director	13
Liu Mingli	Male	49	From December 1997 to March 2013	Director and Deputy General Manager	32.94
Hu Yu	Female	37	From October 2009 to present	Director	13
Luo Xia	Female	50	From November 2004 to March 2013	Independent Non-executive Director	6
Feng Jian	Male	50	From November 2004 to March 2013	Independent Non-executive Director	6
Zhao Zesong	Male	58	From March 2007 to March 2013	Independent Non-executive Director	6
Xie Bangzhu	Male	73	From December 2007 to March 2013	Independent Non-executive Director	6
Feng Bing	Male	50	From June 2005 to present	Chairman of Supervisory Committee	40.76
Hou Bin	Male	55	From October 2000 to March 2013	Supervisor	0
Ouyang Huajie	Male	44	From March 2007 to present	Supervisor	0
Jian Shixi	Male	56	From August 1997 to present	Supervisor and Chairman of Labor Union	32.94
Yang Jingfan	Female	51	From March 2007 to present	Supervisor	27.01
Dong Zhi	Male	32	From October 2009 to March 2013	Supervisor	0
Gan Yongyi (Note)	Male	49	From March 2001 to present	Deputy General Manager, General Manager,	34.9
Luo Maoquan	Male	47	From December 2006 to present	Deputy General Manager	32.94
Lin Binhai	Male	53	From August 2002 to present	Deputy Party Secretary and Secretary to Discipline Committee	32.94
Liu Junjie	Male	48	From February 2009 to present	Deputy General Manager	32.94
Zhang Yongnian	Male	50	From August 1997 to present	Secretary to the Board	32.94
Li Guogang	Male	63	From August 1997 to March 2013	Financial Controller	32.94

Note: From 1 January 2012 to 16 November 2012, Mr. Tang Yong served as Chairman and non-executive Director of the Company, Mr. Zhou Liming served as non-executive Director of the Company, and Mr. Gan Yongyi served as Deputy General Manager of the Company; from 16 November 2012 to 28 March 2013, Mr. Zhou Liming served as Chairman and executive Director of the Company, Mr. Tang Yong served as non-executive Director of the Company, and Mr. Gan Yongyi served as General Manager of the Company. Please refer to the below section headed "Changes of Directors, Supervisors and Senior Management" for relevant details.

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

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

II. Changes of Directors, Supervisors and Senior Management

With effect from 16 November 2012, (i) Mr. Tang Yong, an executive Director, resigned as Chairman of the Company due to work reallocation and was re-designated from executive Director to non-executive Director, (ii) Mr. Zhou Liming, a non-executive Director, was appointed as the Chairman and re-designated from non-executive Director to executive Director, (iii) Mr. Zhang Zhiying was re-designated from executive Director to non-executive Director, and (iv) Mr. Gan Yongyi was appointed as the General Manager of the Company. Saved as mentioned above, during the Reporting Period, there were no changes in the Directors, Supervisors and other senior management of the Company.

The term of the fourth session of the Board and the Supervisory Committee of the Company expired on 28 March 2013. At the 2013 first extraordinary general meeting of the Company held on 28 March 2013, Mr. Zhou Liming and Gan Yongyi were appointed as executive Directors of the fifth session of the Board; Madam Zhang Yang, Mr. Tang Yong, Mr. Huang Bin, Mr. Wang Shuanming and Madam Hu Yu were appointed as non-executive Directors of the fifth session of the Board; Mr. Sun Huibi, Mr. Guo Yuanxi, Mr. Fang Guijin and Mr. Yu Haizong were appointed as independent non-executive Directors of the fifth session of the Board; and Mr. Feng Bing, Mr. Dan Yong, Mr. Ouyang Huajie and Madam Zhou Wei were appointed as Shareholder representative Supervisors of the fifth session of the Supervisory Committee. In addition, Mr. Jian Shixi and Madam Yang Jingfan were elected by the staff congress of the Company as the staff representative Supervisors of the fifth session of the Supervisory Committee. All the members of the fifth session of the Board and the Supervisory Committee are appointed for a term of three years commencing from the date of the general meeting where such appointments were considered and approved.

On 28 March 2013, Mr. Zhou Liming retired as executive Director, Mr. Zhang Zhiying and Mr. Gao Chun retired as non-executive Directors and Madam Luo Xia, Mr. Feng Jian, Mr. Zhao Zesong and Mr. Xie Bangzhu retired as independent non-executive Directors of the fifth session of the Board; Mr. Hou Bin and Mr. Dong Zhi retired as Supervisors of the fourth session of the Supervisory Committee.

At the meetings of the Board and the Supervisory Committee held on 28 March 2013, Mr. Zhou Liming and Mr. Feng Bing were elected as the Chairman of the Board and the chairman of the Supervisory Committee respectively. Mr. Gan Yongyi and Madam Zhang Yang were elected as Vice Chairmen of the Board. Mr. Gan Yongyi was appointed as the General Manager of the Company by the Board, Mr. Luo Maoquan and Mr. Liu Junjie were appointed as Deputy General Managers of the Company and Mr. Zhang Yongnian was appointed as the Secretary to the Board.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

III. Biographies of Directors, Supervisors and Senior Management

(I) Biographies of incumbent Directors for the Year are as follows:

Mr. Zhou Liming: aged 49, 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, and worked as 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 Sichuan Provincial Department of Transportation ("SPDT"), 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. Mr. Zhou is currently a director of STI Group, the Chairman of the Company and a guest professor of Southwest Jiaotong University. Mr. Zhou Liming was re-appointed as Director and re-elected as the Chairman of the Company on 28 March 2013.

Mr. Zhang Zhiying: aged 50, graduated from the Faculty of Accounting of Shanxi Financial and Economic Institute with a bachelor degree and is a senior accountant. He worked successively as an accountant of the Finance Section of the Road Administration Bureau of the SPDT, deputy head of the Finance Division of Sichuan Major Highway Construction Directorate, head of the Finance Division of the Expressway Administration Bureau of the SPDT, deputy head and head of Finance Division of the SPDT and the Financial Controller and General Manager of the Company. Currently he is the Deputy General Manager of STI Group. He also served as Vice Chairman of the Company from February 2003 to March 2013.

Madam Zhang Yang: aged 49, 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 Stock Exchange). She has been serving as project manager, deputy department manager, department manager and assistant to the general manager of Huajian Company (formerly known as Huajian Transportation Economic Development Centre) since 1994. She is currently the deputy general manager of Huajian Company, a director of Shenzhen Expressway Company Limited (a company listed on the Stock Exchange and the SSE), Henan Zhongyuan Expressway Company Limited (a company listed on the SSE) and Jiangsu Expressway Co., Ltd. (a company listed on the Stock Exchange and the SSE) as well as the vice chairman of Jilin Expressway Company Limited (a company listed on the SSE) and the Company. Madam Zhang Yang was re-appointed as Director and re-elected as Vice Chairman of the Company on 28 March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (*Continued*)

Mr. Tang Yong: aged 48, graduated from Sichuan Transportation School and Highway College of Chang'an University with a master's degree in engineering. He is a professor-level 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 SPDT, head of Comprehensive Planning Division of Sichuan Province, and Chairman of the Company. Currently he is a director of STI Group, Sichuan Highway Development and a Director of the Company. Mr. Tang Yong was re-appointed as Director of the Company on 28 March 2013.

Mr. Gao Chun: aged 56, 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 SPDT, Deputy Party Secretary of the central district of Deyang City, Deputy Party Secretary of the Direct Body under the SPDT, Party Secretary of Highway Planning Survey and Design Research Institute of the SPDT, Party Secretary of Sichuan Vocational and Technical College of Communications, the chairman of Sichuan Highway Development and a director and general manager of SCI Group. Currently, he is a vice chairman and general manager of SCI Group. He served as Director of the Company from June 2005 to March 2013.

Mr. Wang Shuanming: aged 53, 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 the SPDT, 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 and a Director of the Company. Mr. Wang Shuanming was re-appointed as Director of the Company on 28 March 2013.

Mr. Liu Mingli: aged 49, graduated from Sichuan University with a master's degree in business administration. 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 SPDT. Currently, he acts as assistant general manager of STI Group. He served as Director and Deputy General Manager of the Company from December 1997 to March 2013.

Madam Hu Yu: aged 37, graduated from Tongji University 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 Company (formerly known as Huajian Transportation Economic Development Centre), 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 Huajian Company, a supervisor of Guangxi Wuzhou Communications Co., Ltd. (a company listed on the SSE), a supervisor of Jiangsu Expressway Company Limited (a company listed on the Stock Exchange and the SSE) and a Director of the Company. Madam Hu Yu was re-appointed as Director of the Company on 28 March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

Madam Luo Xia: aged 50, 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 in transportation means and application. She is a council member of China Highway and Transportation Society, 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. Currently, she serves as a deputy director of the Key Laboratory of Comprehensive Transportation of Sichuan Province, a professor of Southwest Jiaotong University, a tutor to doctorate candidates, vice president of College of Traffic, Transportation and Logistics of Southwest Jiaotong University and the chief of Research Institute of Traffic Engineering. She served as independent non-executive Director of the Company from November 2004 to March 2013.

Mr. Feng Jian: aged 50, 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. (a company 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) (a company listed on the SSE). He is currently a professor and tutor to doctorate candidates in Southwest Finance University, the Chief Secretary of China Finance Association and an independent non-executive director of Sichuan Dikang Sci & Tech Pharmaceutical Industry Co., Ltd. (a company listed on the SSE), Chengdu B-Ray Media Co., Ltd. (成都博瑞傳播股份有限公司) (a company listed on the SSE) and Sichuan Star Cable Co., Ltd. (a company listed on the SSE). He served as independent non-executive Director of the Company from November 2004 to March 2013.

Mr. Zhao Zesong: aged 58, 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. (a company listed on the SSE) and Chengdu Tianxing Instrument and Meter Co, Ltd. (a company listed on the Shenzhen Stock Exchange). He was an independent non-executive Director of the Company from March 2007 to March 2013.

Mr. Xie Bangzhu, aged 73, graduated from Chongqing Jiaotong College majoring in roads and bridge construction and Huadong Institute of Hydraulics (華東水利學院) 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 engineering design master, he is currently a senior technical project consultant of Sichuan Institute of Road Design, chief engineer consultant of Sichuan Chuanjiao Highway Consultancy Company. He served as an independent non-executive Director of the Company from December 2007 to March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (*Continued*)

(II) Biographies of incumbent Supervisors for the Year are as follows:

Mr. Feng Bing: aged 50, graduated from Xi'an Road College and obtained a bachelor degree majoring in automatic control in traffic engineering and from Chang'an 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 SPDT, senior staff member and principal staff member of the Planning Division of the SPDT, and deputy head, investigator and head of the Overall Planning Division of the SPDT. He is currently the Chairman of the Supervisory Committee of the Company and an independent non-executive director of Jilin Expressway Company Limited (a company listed on the SSE). Mr. Feng Bing was re-appointed as Supervisor of the Company and re-elected as the Chairman of the Supervisory Committee of the Company on 28 March 2013.

Mr. Hou Bin: aged 55, 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 SPDT, deputy division chief-level theory tutor of the party committee of the direct body under the SPDT, the leader of the liaison team for designated help for Muchuan County of the SPDT, 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. He served as Supervisor of the Company from October 2000 to March 2013.

Mr. Ouyang Huajie: aged 44, graduated from the Accounting Department of Southwest Finance University majoring in accounting with a bachelor degree in economics, and Sichuan University with a master's degree in economics, and is a senior accountant. He had worked successively at the stated owned Hongguang Electronic Tube Factory, Sichuan Tongya Industries Development Company, Sichuan Shuhai Communications Investment Company Limited and Sichuan Highway Development. He had been the deputy manager of the Fund and Finance Division, manager of the Fund and Finance Division, manager of the Finance Division and chief economist of Sichuan Highway Development. He is currently the head of Finance and Assets Division of STI Group and a Supervisor of the Company. Mr. Ouyang Huajie was re-appointed as Supervisor of the Company on 28 March 2013.

Mr. Jian Shixi: aged 56, 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 SPDT, deputy chief of Sichuan Major Highway Construction Directorate, office chief of the Expressway Administration Bureau of the SPDT. He is currently the chairman of Labour Union and a Supervisor of the Company. Mr. Jian Shixi was re-appointed as Supervisor of the Company on 28 March 2013.

Madam Yang Jingfan: aged 51, graduated from Business School of Sichuan University with an MBA degree and is a political worker (政工師). 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 SPDT, 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. Madam Yang Jingfan was re-appointed as Supervisor of the Company on 28 March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

Mr. Dong Zhi: aged 32, 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 SSE), Anhui Expressway Company Limited (a company listed on the Stock Exchange and the SSE) and Jilin Expressway Company Limited (a company listed on the SSE). Currently, he holds post in the Division I of Shares Management of China Merchants Huajian Highway Investment Co., Ltd (formally known as Huajian Transportation Economic Development Centre). He served as Supervisor of the Company from October 2009 to March 2013.

(III) Biographies of other incumbent senior management for the Year are as follows:

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

Mr. Gan Yongyi: aged 49, 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 worked 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), deputy general manager of Sichuan Road & Bridge Co., Ltd. and Deputy General Manager of the Company. Currently, he is the General Manager of the Company. Mr. Gan Yongyi was re-appointed as the General Manager of the Company, appointed as executive Director of the Company and elected as Vice Chairman of the Company on 28 March 2013.

Mr. Luo Maoquan: aged 47, graduated from the Faculty of Law of Sichuan University. He was an officer of the Policy Research Office of the SPDT, 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 (Ie) Expressway Construction Directorate. He is currently a Deputy General Manager of the Company. Mr. Luo Maoquan was re-appointed as Deputy General Manager of the Company on 28 March 2013.

Mr. Lin Binhai: aged 53, 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 48, 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. He holds a master's degree and the title of a senior political worker (高級政工師). 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 SPDT. He is currently a Deputy General Manager of the Company. Mr. Liu Junjie was re-appointed as Deputy General Manager of the Company on 28 March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES (*Continued*)

Mr. Zhang Yongnian: aged 50, 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 SPDT, 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. Zhang Yongnian was re-appointed as Secretary to the Board of the Company on 28 March 2013.

Mr. Li Guogang: aged 63, 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 SPDT and the manager of Financial Department of the Company. He served as the Financial Controller of the Company from August 2004 to March 2013.

(IV) Biographies of newly appointed members of the fifth session of the Board and the Supervisory Committee are as follows:

Mr. Gan Yongyi, please refer to biographies of other incumbent senior management for the Year.

Mr. Huang Bin: aged 45, graduated from Southwest Jiaotong University with a bachelor degree in industrial and civil construction and from Southwest Finance University with a master's degree in business administration. He was deputy head of the Investment Division of Sichuan Development and Planning Committee; deputy head of the Division of Foreign Affairs and Foreign Economic Relations of Sichuan Development and Planning Committee; deputy head and head of the Division of Project Management and Coordination and head of the Division of Development Planning and Industrial Policy of Sichuan Development and Reform Committee; he is currently a director of STI Group. Mr. Huang Bin was appointed as non-executive Director of the Company on 28 March 2013.

Mr. Sun Huibi: aged 68, graduated from the Department of Electrical Engineering of Chongqing University majoring in electric power, holds the title of professor level senior engineer and is an expert entitled to government allowance from the State Council. He has successively served as a deputy head, head and other positions at the Electricity Bureau of Sichuan Province, the Economic Committee of Sichuan Province and the Planning Commission of Sichuan Province. He was the deputy general manager, general manager and president of Sichuan Engineering Consulting and Research Institute (formerly known as Sichuan International Engineering Consulting Company), head of Sichuan Engineering Consulting Association, member of Sichuan Advisory Group on Science and Technology and Chengdu Advisory Group on Science and Technology, and an independent non-executive director of Sichuan Xichang Electric Power Co., Ltd. (四川西昌電力股份有限公司) (a company listed on the SSE). Mr. Sun Huibi was appointed as independent non-executive Director of the Company on 28 March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

Mr. Guo Yuanxi: aged 62, graduated from the Department of Economics of Sichuan University, an expert entitled to special government allowance from the State Council, an excellent expert with outstanding contributions as well as an academic and technology pioneer in Sichuan province. He was an assistant researcher, associate researcher, and researcher in the Institute of Economics under Sichuan Academy of Social Sciences, the deputy director and director of the Research Society for Economic System Reform (經濟體制改革研究所), managing deputy editor and director of the magazine "Reform of Economic System", advisor to the leading group for the enterprises reform pilot program of the provincial Party Committee and provincial government of Sichuan, a member of the steering group for PhD candidates in the College of Business Administration of Southwestern University of Finance and Economics, a member of the fifth standing committee of the Sichuan Association for Science and Technology, and deputy mayor of the People's Government of Deyang, Sichuan. He once served as an independent non-executive director of or an advisor to Chengdu People's Department (Group) Store Co., Ltd. (a company listed on the SSE), Xinjiang Hops Co., Ltd. (a company listed on the SSE), Sichuan Bluesword Beverage Group (四川藍劍集團) and Sichuan Laoken Technology Co., Ltd. (四川老肯科技股份有限公司). Currently he is a professor, researcher and a doctoral supervisor of Southwestern University of Finance and Economics, and an independent non-executive director of Wuliangye Yibin Co., Ltd. (a company listed on the Shenzhen Stock Exchange). Mr. Guo Yuanxi was appointed as independent non-executive Director of the Company on 28 March 2013.

Mr. Fang Guijin: aged 49, graduated from Southwest Jiaotong University with a bachelor degree in transportation engineering, a master degree and a doctor degree in transportation planning and management. He is among the first batch of registered consulting engineers in investment nationwide and a professor-level senior engineer. He once worked at Chongqing Iron & Steel Company Limited, and has served the Engineering Consulting Research Institute of Sichuan since 1988 as the deputy director and director of the energy and transportation project division and chief economist. He is currently the chief engineer of the Engineering Consulting Research Institute of Sichuan. Mr. Fang Guijin was appointed as independent non-executive Director of the Company on 28 March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

Mr. Yu Haizong: aged 48, graduated from Southwestern University of Finance and Economics with a bachelor degree, a master degree in economics (accounting) and a doctor degree in management (accounting). He is a certified public accountant in the PRC, a senior member of the Accounting Society of China, vice-president of Chengdu Real Estate and Accounting Association (成都房地產會計學會) and a member of the education committee under the Sichuan Institute of Certified Public Accountants. He once worked at the finance department of Sichuan Tranvic Iron & Steel Group (四川川威鋼鐵集團) and served as an independent non-executive director of Guoxing Rongda Real Estate Co., Ltd. (a company listed on the Shenzhen Stock Exchange) and Sichuan Jinyu Automobile City (Group) Co., Ltd. (a company listed on the Shenzhen Stock Exchange). He has been teaching in Southwestern University of Finance and Economics since 1993, and is currently a professor in the School of Accounting therein, as well as an independent non-executive director of Chengdu Tianxing Instrument and Meter Co., Ltd. (a company listed on the Shenzhen Stock Exchange), Chengdu Hongqi Chain Co., Ltd. (a company listed on the Shenzhen Stock Exchange), and China Vanadium Titano-Magnetite Mining Company Limited (a company listed on the Stock Exchange). Mr. Yu Haizong was appointed as independent non-executive Director of the Company on 28 March 2013.

Mr. Dan Yong: aged 43, holder of bachelor degree of laws of the Department of Politics of Southwest Normal University and master degree in executive management of the University of Electronic Science and Technology of China. He had been the deputy head of the office of Highway Transport Management Bureau (during the term thereof he had been appointed deputy head of the Transportation Bureau of Muchuan County and vice-president of Muchuan Vocational Middle School), deputy head of Education Division, head of Science Education Division, head of Policy and Regulation Division, member of the bureau Sub-group of Party Committee, head of Disciplinary Section, deputy party secretary of the bureau, secretary to Discipline Committee of SPDT; office chief of STI Group; Mr. Dan is currently the assistant to the general manager and head of the Party Community Working Department (Discipline Inspection and Supervision Office) of STI Group. Mr. Fang Guijin was appointed as Supervisor of the Company on 28 March 2013.

Madam Zhou Wei: aged 33, the doctor of western economics from Renmin University of China. She has worked in Motorola (China) Electronics Ltd. and Nokia Siemens Networks Ltd.. She is currently the project manager in the Division I of Shares Management of Huajian Company (formerly known as Huajian Transportation Economic Development Centre). Madam Zhou Wei was appointed as Supervisor of the Company on 28 March 2013.

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

IV. Employees

As at 31 December 2012, details of the Group's employees were as follows:

Number of in-service employees of the Company (including its branches)	2,623
Number of in-service employees of major subsidiaries	1,508
Total number of in-service employees	4,131
Number of retired employees for which the Company (including its branches) and its major subsidiaries are liable to bear costs	61

Composition by Expertise

Type of Expertise	Number of people
Production	2,935
Sales	102
Technical	424
Financial	74
Administrative	596
Total	4,131

Educational Level

Type of Education Level	Number of people
Postgraduate	95
University graduate	987
Junior college graduate	1,801
Technical secondary school and below	1,248
Total	4,131

PROFILE OF DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT AND EMPLOYEES *(Continued)*

1. Employee's Remuneration

The total remuneration of the Company's employees is correlated with the operating results of the Company. The wages of the employees are comprised of fixed wages (including basic salary, and salaries determined by the position and period of service) and performance incentive bonus. Employee's salary is determined with reference to his position (i.e. the salary changes in accordance with the position of service) and performance. For the Year ended 31 December 2012, the employees' salary of the Group totaled approximately RMB252,555,000 (of which approximately RMB155,983,000 for the employees of the Company (including its branches)).

2. Employee's 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 of its staff. 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 5,186 employees of the Company (including its branches) attended the above training courses.

REPORT OF THE SUPERVISORY COMMITTEE

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 4 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 19th Meeting	28 March 2012	<ol style="list-style-type: none">1. Examining the Scheme of Profit Distribution and Dividend Payment for 2011;2. Examining the 2011 Implementation Report of Financial Budget of the Company;3. Considering and approving 2011 Work Report of the Supervisory Committee of the Company;4. Examining the 2011 domestic and overseas annual reports and their summaries, etc.;5. Examining the 2011 Internal Control Evaluation Report of the Company;6. Examining the 2011 Social Responsibility Report of the Company;7. Examining the 2012 Annual Financial Budget of the Company;8. Examining the re-appointment of Shinewing Certified Public Accountants and Ernst & Young Certified public Accountants as the PRC and international auditors of the Company respectively for the year 2012.
The 20th Meeting	20 April 2012	<ol style="list-style-type: none">1. Examining the 2012 First Quarterly Report.
The 21st Meeting	30 August 2012	<ol style="list-style-type: none">1. Examining the unaudited financial statements for the 6 months ended 30 June 2012, the 2012 interim report and its summary, etc.;2. Examining the proposal in relation to not distributing any interim dividend and not transferring capital reserve into share capital;3. Examining the proposal in relation to amendments to the Articles of Association of the Company.
The 22nd Meeting	30 October 2012	<ol style="list-style-type: none">1. Examining the 2012 Third Quarterly Report.

REPORT OF THE SUPERVISORY COMMITTEE

(Continued)

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 2012 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 (Special General Partnership) and Ernst & Young Certified Public Accountants have respectively audited the 2012 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, operating results and cash flows.

REPORT OF THE SUPERVISORY COMMITTEE

(Continued)

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 guidelines for corporate internal control, the Company fully and practically launched the construction of corporate internal control system since the second half of 2010. During the Reporting Period, all internal control tasks were carried out as scheduled and the internal control system of the Company was further improved. Through making self-assessment of the effectiveness of the design and implementation of the Company's internal control as at 31 December 2012, the Board had issued the 2012 Self-assessment Report on Internal Control.

The Supervisory Committee seriously considered and approved the 2012 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

Save for 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 2013

INDEPENDENT AUDITORS' REPORT



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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 83 to 168, which comprise the consolidated and company statements of financial position as at 31 December 2012, 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.

INDEPENDENT AUDITORS' REPORT (*Continued*)

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 2012, 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 2013

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Notes	2012 RMB'000	2011 RMB'000
REVENUE	4,5	7,183,670	6,236,966
Cost of sales and other direct operating costs		(5,545,882)	(4,507,964)
Gross profit		1,637,788	1,729,002
Other income and gains	5	183,916	92,996
Administrative expenses		(144,433)	(108,442)
Other expenses		(13,359)	(28,884)
Finance costs	6	(240,791)	(130,076)
Share of profits and losses of associates		16,707	10,424
PROFIT BEFORE TAX	7	1,439,828	1,565,020
Income tax expense	9	(228,917)	(245,978)
PROFIT FOR THE YEAR		1,210,911	1,319,042
OTHER COMPREHENSIVE INCOME			
Changes in fair value of available-for-sale investments		2,899	(18,414)
Income tax effect		(538)	5,822
OTHER COMPREHENSIVE INCOME FOR THE YEAR, NET OF TAX		2,361	(12,592)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		1,213,272	1,306,450
Profit attributable to:			
Owners of the Company	10	1,180,931	1,304,163
Non-controlling interests		29,980	14,879
		1,210,911	1,319,042
Total comprehensive income attributable to:			
Owners of the Company		1,183,291	1,291,576
Non-controlling interests		29,981	14,874
		1,213,272	1,306,450
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY			
– Basic and diluted	11	RMB0.386	RMB0.426

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

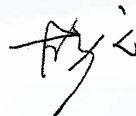
	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	636,334	611,927
Service concession arrangements	13	14,136,239	11,205,184
Prepaid land lease payments	14	475,041	507,502
Investments in associates	16	69,326	64,790
Available-for-sale investments	17	70,302	67,403
Long term compensation receivables	18	65,527	68,932
Other receivables	23	90,270	72,000
Payments in advance	19	3,957	484,987
Deferred tax assets	20	155	—
Total non-current assets		15,547,151	13,082,725
CURRENT ASSETS			
Inventories	21	38,120	26,950
Due from customers for contract works	22	56,755	938,099
Trade and other receivables	23	1,796,047	918,012
Pledged deposits	24	77,651	20,522
Cash and cash equivalents	24	1,820,676	1,768,418
Total current assets		3,789,249	3,672,001
CURRENT LIABILITIES			
Tax payable		204,922	196,106
Trade and other payables	25	1,825,240	1,823,220
Interest-bearing bank and other loans	26	765,727	2,099,727
Total current liabilities		2,795,889	4,119,053
NET CURRENT ASSETS/(LIABILITIES)		993,360	(447,052)
TOTAL ASSETS LESS CURRENT LIABILITIES		16,540,511	12,635,673

CONSOLIDATED STATEMENT OF FINANCIAL POSITION *(Continued)*

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	26	6,085,867	3,120,744
Deferred tax liabilities	20	8,218	7,653
Total non-current liabilities		6,094,085	3,128,397
Net assets		10,446,426	9,507,276
EQUITY			
Equity attributable to owners of the Company			
Issued capital	27	3,058,060	3,058,060
Reserves	28	6,950,521	6,011,875
Proposed final dividend	29	244,645	275,225
		10,253,226	9,345,160
Non-controlling interests		193,200	162,116
Total equity		10,446,426	9,507,276



Director



Director

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to owners of the Company											
	Issued capital	Share premium account	Statutory surplus reserve	General surplus reserve	Difference arising from acquisition of non-controlling interests	Available-for-sale investment revaluation reserve	Merger difference	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)		(note 28 (a))				(note 28)					
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 a non-controlling shareholder	–	–	–	–	–	–	–	–	–	–	(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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Continued)

	Attributable to owners of the Company											
	Issued capital	Share premium account	Statutory surplus reserve	General surplus reserve	Difference arising from acquisition of non-controlling interests	Available-for-sale investment revaluation reserve	Merger difference	Retained profits	Proposed final dividend	Total	Non-controlling interests	Total equity
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
	(note 27)		(note 28 (a))				(note 28)					
At 1 January 2012	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
Profit for the year	-	-	-	-	-	-	-	1,180,931	-	1,180,931	29,980	1,210,911
Other comprehensive income for the year												
Changes in fair value of available-for-sale investments, net of tax	-	-	-	-	-	2,360	-	-	-	2,360	1	2,361
Total comprehensive income for the year	-	-	-	-	-	2,360	-	1,180,931	-	1,183,291	29,981	1,213,272
Transfer from/(to) reserves	-	-	163,326	389,914	-	-	-	(553,240)	-	-	-	-
Step acquisition of a subsidiary	-	-	-	-	-	-	-	-	-	-	14,324	14,324
Dividends paid to non-controlling shareholders	-	-	-	-	-	-	-	-	-	-	(13,221)	(13,221)
Final 2011 dividend declared	-	-	-	-	-	-	-	-	(275,225)	(275,225)	-	(275,225)
Proposed final 2012 dividend (note 29)	-	-	-	-	-	-	-	(244,645)	244,645	-	-	-
At 31 December 2012	3,058,060	2,654,601*	1,147,057*	1,486,435*	(248,470)*	17,733*	(533,123)*	2,426,288*	244,645	10,253,226	193,200	10,446,426

* These reserve accounts comprise the consolidated reserves of RMB6,950,521,000 (2011: RMB6,011,875,000) in the consolidated statement of financial position.

CONSOLIDATED STATEMENT OF CASH FLOWS

	Notes	2012 RMB'000	2011 RMB'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		1,439,828	1,565,020
Adjustments for:			
Finance costs	6	240,791	130,076
Share of profits and losses of associates		(16,707)	(10,423)
Depreciation	7,12	64,119	57,210
Amortisation of service concession arrangements	7,13	317,620	270,620
Amortisation of prepaid land lease payments	7,14	32,109	32,188
Impairment/(reversal of provision of impairment) of other receivables, net	7,23	111	(580)
Loss on disposal of items of property, plant and equipment	7	206	6,525
Gain on disposal of land use rights	5	(3,463)	–
Gain on disposal of an associate	5	(215)	–
Interest income	5	(156,197)	(64,370)
Dividend income from available-for-sale investments	5	(5,621)	(1,898)
		1,912,581	1,984,368
Additions to service concession arrangements		(3,091,572)	(2,566,874)
Decrease/(increase) in payments in advance		481,030	(65,859)
Decrease/(increase) in amount due from customers for contract works		881,344	(938,099)
Increase in trade and other receivables		(767,753)	(844,809)
Increase in inventories		(5,827)	(15,043)
Increase in trade and other payables		26,617	1,083,818
		(563,580)	(1,362,498)
Cash used in operations		(220,229)	(172,664)
Income tax paid		(220,229)	(172,664)
		(783,809)	(1,535,162)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of items of property, plant and equipment		(91,492)	(130,877)
Step acquisition of a subsidiary	15	16,416	–
Proceeds from disposal of items of property, plant and equipment		1,546	478
Proceeds from disposal of land use rights		3,871	–
Proceed from disposal of an associate		417	–
Interest received		34,604	33,667
Dividend received from an associate		10,064	11,710
Dividend received from available-for-sale investments		5,621	1,898
		(18,953)	(83,124)
Net cash flows used in investing activities		(18,953)	(83,124)

CONSOLIDATED STATEMENT OF CASH FLOWS (Continued)

Notes	2012 RMB'000	2011 RMB'000
Net cash outflows before financing activities	(802,762)	(1,618,286)
CASH FLOWS FROM FINANCING ACTIVITIES		
Interest paid	(430,528)	(163,647)
Costs on the issuance of short term commercial papers	—	(8,000)
Proceeds from bank loans	4,532,190	1,856,052
Repayment of bank loans	(1,578,340)	(1,288,000)
Proceeds from short term commercial papers	—	2,000,000
Repayment of short term commercial papers	(2,000,000)	—
Proceeds from medium term notes	700,000	—
Repayment of other loans	(22,727)	(22,727)
Dividends paid to owners of the Company	(275,225)	(266,051)
Dividends paid to non-controlling shareholders	(13,221)	(9,600)
Capital injection by a non-controlling shareholder	—	25,480
Net cash flows from financing activities	912,149	2,123,507
NET INCREASE IN CASH AND CASH EQUIVALENTS	109,387	505,221
Cash and cash equivalents at beginning of year	1,788,940	1,283,719
CASH AND CASH EQUIVALENTS AT END OF YEAR	1,898,327	1,788,940
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS	24	
Cash and bank balances	1,747,430	1,652,191
Non-pledged time deposits	73,246	116,227
Cash and cash equivalents as stated in the consolidated statement of financial position	1,820,676	1,768,418
Pledged time deposits	77,651	20,522
Cash and cash equivalents as stated in the consolidated statement of cash flows	1,898,327	1,788,940

STATEMENT OF FINANCIAL POSITION

	Notes	2012 RMB'000	2011 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	418,408	389,881
Service concession arrangements	13	12,528,943	9,780,374
Prepaid land lease payments	14	327,509	349,274
Investments in subsidiaries	15	2,355,811	1,731,817
Investments in associates	16	38,438	39,428
Available-for-sale investments	17	50,779	48,909
Payments in advance	19	—	484,987
Due from a subsidiary	15	300,000	—
Total non-current assets		16,019,888	12,824,670
CURRENT ASSETS			
Inventories	21	197	197
Prepayments, deposits and other receivables	23	177,038	61,593
Due from subsidiaries	15	1,143,092	1,563,304
Pledged deposits	24	77,651	20,522
Cash and cash equivalents	24	1,023,723	1,335,109
Total current assets		2,421,701	2,980,725
CURRENT LIABILITIES			
Tax payable		145,770	150,493
Other payables and accruals	25	1,250,639	1,270,553
Interest-bearing bank and other loans	26	722,727	2,022,727
Due to subsidiaries	15	57,117	94,487
Total current liabilities		2,176,253	3,538,260
NET CURRENT ASSETS/(LIABILITIES)		245,448	(557,535)
TOTAL ASSETS LESS CURRENT LIABILITIES		16,265,336	12,267,135
NON-CURRENT LIABILITIES			
Interest-bearing bank and other loans	26	5,931,467	2,953,344
Deferred tax liabilities	20	1,921	1,494
Total non-current liabilities		5,933,388	2,954,838
Net assets		10,331,948	9,312,297
EQUITY			
Issued capital	27	3,058,060	3,058,060
Reserves	28	7,029,243	5,979,012
Proposed final dividend	29	244,645	275,225
Total equity		10,331,948	9,312,297

NOTES TO FINANCIAL STATEMENTS

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.

The Company was granted the rights to charge users since 18 September 2012 with a concession period of 29 years and 300 days for the operation of Chengdu-Meishan (Renshou) Section of Chengdu-Zigong-Luzhou-Chishui Expressway ("Chengren Expressway").

In the opinion of the directors, Sichuan Transport Industry Investment Group Company Limited ("STI Group") is the parent and the ultimate holding company of the Company.

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 ("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.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries for the year ended 31 December 2012. 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 it results in a deficit balance.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.1 BASIS OF PREPARATION *(Continued)*

Basis of consolidation *(Continued)*

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 revised HKFRSs for the first time for the current year's financial statements.

HKFRS 1 Amendments	Amendments to HKFRS 1 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters</i>
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Transfers of Financial Assets</i>
HKAS 12 Amendments	Amendments to HKAS 12 <i>Income Taxes – Deferred Tax: Recovery of Underlying Assets</i>

The adoption of revised HKFRSs has had no significant financial effect on these financial statements.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 <i>First-time Adoption of Hong Kong Financial Reporting Standards – Government Loans</i> ²
HKFRS 7 Amendments	Amendments to HKFRS 7 <i>Financial Instruments: Disclosures – Offsetting Financial Assets and Financial Liabilities</i> ²
HKFRS 9	<i>Financial Instruments</i> ⁴
HKFRS 10	<i>Consolidated Financial Statements</i> ²
HKFRS 11	<i>Joint Arrangements</i> ²
HKFRS 12	<i>Disclosure of Interests in Other Entities</i> ²
HKFRS 10, HKFRS 11 and HKFRS 12 Amendments	Amendments to HKFRS 10, HKFRS 11 and HKFRS 12 – <i>Transition Guidance</i> ²
HKFRS 10, HKFRS 12 and HKAS 27 (2011) Amendments	Amendments to HKFRS 10, HKFRS 12 and HKAS 27 (2011) – <i>Investment Entities</i> ³
HKFRS 13	<i>Fair Value Measurement</i> ²
HKAS 1 Amendments	Amendments to HKAS 1 <i>Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income</i> ¹
HKAS 19 (2011)	<i>Employee Benefits</i> ²
HKAS 27 (2011)	<i>Separate Financial Statements</i> ²
HKAS 28 (2011)	<i>Investments in Associates and Joint Ventures</i> ²
HKAS 32 Amendments	Amendments to HKAS 32 <i>Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities</i> ³
HK(IFRIC)-Int 20 <i>Annual Improvements 2009-2011 Cycle</i>	<i>Stripping Costs in the Production Phase of a Surface Mine</i> ² Amendments to a number of HKFRSs issued in June 2012 ²

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

² Effective for annual periods beginning on or after 1 January 2013

³ Effective for annual periods beginning on or after 1 January 2014

⁴ Effective for annual periods beginning on or after 1 January 2015

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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

Further information about those HKFRSs that are expected to be applicable to the Group is as follows:

The HKFRS 7 Amendments require an entity to disclose information about rights to set-off and related arrangements (e.g., collateral agreements). The disclosures would provide users with information that is useful in evaluating the effect of netting arrangements on an entity's financial position. The new disclosures are required for all recognised financial instruments that are set off in accordance with HKAS 32 *Financial Instruments: Presentation*. The disclosures also apply to recognised financial instruments that are subject to an enforceable master netting arrangement or similar agreement, irrespective of whether they are set off in accordance with HKAS 32. The Group expects to adopt the amendments from 1 January 2013.

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. The Group will quantify the effect in conjunction with other phases, when the final standard including all phases is issued.

NOTES TO FINANCIAL STATEMENTS (Continued)

2.3 ISSUED BUT NOT YET EFFECTIVE HKFRSs (Continued)

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 addresses the issues raised in HK(SIC)-Int 12. Based on the preliminary analyses performed, HKFRS 10 is not expected to have any impact on the currently held investments of the Group.

HKFRS 12 includes the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities 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.

In July 2012, the HKICPA issued amendments to HKFRS 10, HKFRS 11 and HKFRS 12 which clarify the transition guidance in HKFRS 10 and provide further relief from full retrospective application of these standards, limiting the requirement to provide adjusted comparative information to only the preceding comparative period. The amendments clarify that retrospective adjustments are only required if the consolidation conclusion as to which entities are controlled by the Group is different between HKFRS 10 and HKAS 27 or HK(SIC)-Int 12 at the beginning of the annual period in which HKFRS 10 is applied for the first time. Furthermore, for disclosures related to unconsolidated structured entities, the amendments will remove the requirement to present comparative information for periods before HKFRS 12 is first applied.

The amendments to HKFRS 10 issued in December 2012 include a definition of an investment entity and provide an exception to the consolidation requirement for entities that meet the definition of an investment entity. Investment entities are required to account for subsidiaries at fair value through profit or loss in accordance with HKFRS 9 rather than consolidate them. Consequential amendments were made to HKFRS 12 and HKAS 27 (2011). The amendments to HKFRS 12 also set out the disclosure requirements for investment entities. The Group expects that these amendments will not have any impact on the Group as the Company is not an investment entity as defined in HKFRS 10.

Consequential amendments were made to HKAS 27 and HKAS 28 as a result of the issuance of HKFRS 10, HKFRS 11 and HKFRS 12. The Group expects to adopt HKFRS 10, HKFRS 11, HKFRS 12, HKAS 27 (2011), HKAS 28 (2011), and the subsequent amendments to these standards issued in July and December 2012 from 1 January 2013.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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

The HKAS 1 Amendments 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, net gain on hedge of a net investment, exchange differences on translation of foreign operations, net movement on cash flow hedges and net loss or gain on available-for-sale financial assets) would be presented separately from items which will never be reclassified (for example, actuarial gains and losses on defined benefit plans and revaluation of land and buildings). The amendments will affect presentation only and have no impact on the financial position or performance. The Group expects to adopt the amendments from 1 January 2013.

The HKAS 32 Amendments clarify the meaning of “currently has a legally enforceable right to set off” for offsetting financial assets and financial liabilities. The amendments also clarify the application of the offsetting criteria in HKAS 32 to settlement systems (such as central clearing house systems) which apply gross settlement mechanisms that are not simultaneous. The amendments are not expected to have any impact on the financial position or performance of the Group upon adoption on 1 January 2014.

The *Annual Improvements to HKFRSs 2009-2011 Cycle* issued in June 2012 sets out amendments to a number of HKFRSs. The Group expects to adopt the amendments from 1 January 2013. 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 are expected to have a significant financial impact on the Group.

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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 to measure 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 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-related costs are expensed as incurred.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Business combinations and goodwill (continue)

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability that is a financial instrument and within the scope of HKAS 39 is measured at fair value with changes in fair value either recognised in profit or loss or as a change to other comprehensive income. If the contingent consideration is not within the scope of HKAS 39, it is measured in accordance with the appropriate HKFRS. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

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 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.

Where goodwill has been allocated to a cash-generating unit (or 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 the disposal. Goodwill disposed in these circumstances is measured based on the relative value of the disposed operation of and the portion of the cash-generating unit retained.

NOTES TO FINANCIAL STATEMENTS (*Continued*)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(*Continued*)

Business combinations and goodwill (continue)

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 an 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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).

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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 including 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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, other than gas stations, is provided on a unit-of-usage basis to write off the costs of these arrangements, 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.

Amortisation of gas stations that recognised as part of the underlying infrastructure of the service concession arrangements is provided on the straight-line basis to write off the costs of gas stations over the periods for which the Group is granted the rights to charge users under the 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 the service concession arrangement and will be amortised upon the commencement of operation of the service concession arrangement.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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.

Investments and other financial assets

Initial recognition and measurement

Financial assets within the scope of HKAS 39 are classified as financial assets at fair value through profit or loss, 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.

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.

NOTES TO FINANCIAL STATEMENTS (*Continued*)

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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 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 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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 and, in the case of loans and borrowings, net of 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 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

Income tax *(Continued)*

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.

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 on a systematic basis over the periods that the costs, which it is intended to compensate, are expensed.

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.

NOTES TO FINANCIAL STATEMENTS (*Continued*)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(*Continued*)

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" under service concession arrangements below;
- (c) from 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 over 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.

Construction and upgrade services under service concession arrangements

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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.

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.

NOTES TO FINANCIAL STATEMENTS (*Continued*)

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(*Continued*)

Employee benefits (*Continued*)

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.

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.

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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

2.4 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(Continued)

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 prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in 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 their accompanying disclosure, and the disclosure of contingent liabilities. 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.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(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.

(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 and construction contracts recognised by the Group amounted to RMB3,868,864,000 and RMB3,798,049,000 (2011: RMB3,822,347,000 and RMB3,604,996,000), respectively.

NOTES TO FINANCIAL STATEMENTS *(Continued)*

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(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 2012 was RMB14,136,239,000 (2011: RMB11,205,184,000).

(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 2012 was RMB636,334,000 (2011: RMB611,927,000).

(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 2012 was RMB68,932,000 (2011: RMB71,921,000). 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 2012 was RMB204,922,000 (2011: RMB196,106,000).

NOTES TO FINANCIAL STATEMENTS *(Continued)*

3. SIGNIFICANT ACCOUNTING ESTIMATES *(Continued)*

Estimation uncertainty *(Continued)*

(i) Provision for maintenance and resurfacing obligations

The Group has contractual obligations under the service concessions to maintain the toll road infrastructure to a specified level of serviceability.

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

There was no provision for maintenance and resurfacing obligations at 31 December 2012 (2011: Nil).

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 station 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.

The Board monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. 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 other unallocated income and 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 and available-for-sale investments as these assets are managed on a group basis.

Segment liabilities exclude tax payable and deferred tax 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.

NOTES TO FINANCIAL STATEMENTS (Continued)

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2012

	Toll operation RMB'000	Construction contracts RMB'000	Gas station operation RMB'000	Others RMB'000	Total RMB'000
SEGMENT REVENUE	2,343,782	3,844,014	970,232	25,642	7,183,670
SEGMENT RESULTS	1,325,711	141,272	54,963	10,021	1,531,967
Reconciliation:					
Interest income					21,604
Dividend income and unallocated income and gains					27,718
Corporate and other unallocated expenses					(141,461)
Profit before tax					1,439,828
SEGMENT ASSETS	15,458,141	1,797,538	90,865	21,072	17,367,616
Reconciliation:					
Available-for-sale investments					70,302
Deferred tax assets					155
Pledged deposits					77,651
Cash and cash equivalents					1,820,676
Total assets					19,336,400
SEGMENT LIABILITIES	7,416,643	1,221,197	11,065	27,929	8,676,834
Reconciliation:					
Tax payable					204,922
Deferred tax liabilities					8,218
Total liabilities					8,889,974
OTHER SEGMENT INFORMATION					
Share of profits and losses of associates	16,707	—	—	—	16,707
Depreciation and amortisation	381,615	7,549	2,355	22,329	413,848
Investments in associates	64,876	—	—	4,450	69,326
Impairment/(reversal of provision for impairment) of other receivables	124	—	—	(13)	111
Capital expenditure*	3,314,212	10,528	20,298	814	3,345,852

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

NOTES TO FINANCIAL STATEMENTS (Continued)

4. OPERATING SEGMENT INFORMATION (Continued)

Year ended 31 December 2011

	Toll operation RMB'000	Construction contracts RMB'000	Gas station 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
Pledged deposits					20,522
Cash and cash equivalents					1,768,418
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.

NOTES TO FINANCIAL STATEMENTS (Continued)

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 2012, no revenue was derived from a customer amounted to 10% or more of the Group's total revenue. During the year ended 31 December 2011, revenue of approximately RMB938,099,000 was derived from a single customer under the construction contracts segment, 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:

	2012 RMB'000	2011 RMB'000
Revenue		
Toll income		
– Chengyu Expressway	1,102,230	1,176,077
– Chengya Expressway	700,027	672,498
– Chengle Expressway	430,085	485,734
– Chengren Expressway	102,578	–
– Chengbei Exit Expressway and Qinglongchang Bridge	91,886	93,835
	2,426,806	2,428,144
Less: Revenue taxes	(83,024)	(82,073)
Sub-total	2,343,782	2,346,071

NOTES TO FINANCIAL STATEMENTS (Continued)

5. REVENUE, OTHER INCOME AND GAINS (Continued)

	2012 RMB'000	2011 RMB'000
Construction revenue in respect of:		
– Service concession arrangements	3,248,675	2,685,924
– Construction works performed for third parties	620,189	1,136,423
	3,868,864	3,822,347
Less: Revenue taxes	(24,850)	(45,736)
Sub-total	3,844,014	3,776,611
Revenue from operation of gas stations	970,232	92,010
Others (including income from rental and advertising)	25,642	22,274
	7,183,670	6,236,966
Other income and gains		
Interest income from bank deposits	21,604	20,667
Interest income from discounting long term compensation receivables (note 18)	10,011	10,377
Interest income from construction contracts (note 23)	124,582	33,326
Gain on disposal of land use rights	3,463	–
Gain on disposal of an associate (note 16)	215	–
Rental income	3,208	4,418
Government grants*	91	1,069
Dividend income from available-for-sale investments	5,621	1,898
Compensation	14,497	11,592
Miscellaneous	624	9,649
	183,916	92,996
Total revenue, other income and gains	7,367,586	6,329,962

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

NOTES TO FINANCIAL STATEMENTS (Continued)

6. FINANCE COSTS

An analysis of finance costs is as follows:

	2012 RMB'000	2011 RMB'000
Interest on bank and other loans wholly repayable within five years	364,673	161,035
Interest on other bank loans	6,738	6,302
Interest on short term commercial papers	17,560	73,789
Interest on medium term notes	8,923	—
Cost on issuance of short term commercial papers	—	8,000
	397,894	249,126
Less: Interest capitalised in service concession arrangements (note 13(c))	(157,103)	(119,050)
	240,791	130,076
Interest rate of borrowing costs capitalised	5.85%-7.05%	5.35%-6.35%

NOTES TO FINANCIAL STATEMENTS (Continued)

7. PROFIT BEFORE TAX

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

	Notes	2012 RMB'000	2011 RMB'000
Employee costs (including directors' and supervisors' remuneration (note 8)):			
Wages and salaries		252,795	207,350
Pension scheme contributions			
– Defined contribution fund		36,008	29,395
Accommodation benefits			
– Defined contribution fund		23,331	22,384
Supplementary pension scheme			
– Defined contribution fund		17,252	12,316
Other staff benefits		49,661	42,739
		379,047	314,184
Depreciation	12	64,119	57,210
Amortisation of service concession arrangements	13	317,620	270,620
Amortisation of prepaid land lease payments	14	32,109	32,188
Depreciation and amortisation expenses		413,848	360,018
Repairs and maintenance		113,091	164,022
Construction costs in respect of:			
– Service concession arrangements*		3,243,919	2,675,515
– Construction works performed for third parties*		554,130	929,481
Cost of sales of refined oil		898,918	85,460
Minimum lease payments under operating leases:			
– Land and buildings		20,586	22,167
Auditors' remuneration		2,381	2,189
Loss on disposal of items of property, plant and equipment		206	6,525
Provision for/(reversal of provision for) impairment of other receivables	23	111	(580)

* During the year, employee costs of RMB50,121,000 (2011: RMB41,056,000) and depreciation charges of RMB6,419,000 (2011: RMB645,000) were included in those construction costs.

NOTES TO FINANCIAL STATEMENTS (Continued)

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

	2012 RMB'000	2011 RMB'000
Fees	240	240
Other emoluments:		
Salaries, allowances and benefits in kind	2,524	2,749
Pension scheme contributions	117	98
Supplementary pension scheme contributions	186	157
	2,827	3,004
	3,067	3,244

(1) Independent non-executive directors

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

	2012 RMB'000	2011 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 (2011: Nil).

NOTES TO FINANCIAL STATEMENTS (Continued)

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
2012				
Executive directors:				
Mr. Zhou Liming*	34	2	4	40
Mr. Tang Yong*	374	23	40	437
Mr. Zhang Zhiying*	119	—	—	119
Mr. Liu Mingli	329	23	33	385
	856	48	77	981
Non-executive directors:				
Mr. Zhang Zhiying*	11	—	—	11
Madam Zhang Yang	130	—	—	130
Mr. Tang Yong*	11	—	—	11
Mr. Zhou Liming*	119	—	—	119
Mr. Gao Chun	130	—	—	130
Mr. Wang Shuanming	130	—	—	130
Madam Hu Yu	130	—	—	130
	1,517	48	77	1,642

NOTES TO FINANCIAL STATEMENTS (Continued)

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

(2) Executive and non-executive directors (Continued)

	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

* On 16 November 2012, (i) Mr. Tang Yong resigned as the Company' chairman and was re-designed from executive director to non-executive director, (ii) Mr. Zhou Liming was appointed as the Company's chairman and re-designated from non-executive director to executive director, and (iii) Mr. Zhang Zhiying was re-designated from executive director to non-executive director.

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

NOTES TO FINANCIAL STATEMENTS (Continued)

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
2012				
Mr. Feng Bing	408	23	43	474
Mr. Hou Bin	—	—	—	—
Mr. Ouyang Huajie	—	—	—	—
Mr. Jian Shixi	329	23	33	385
Madam Yang Jingfan	270	23	33	326
Mr. Dong Zhi	—	—	—	—
	1,007	69	109	1,185
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

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

NOTES TO FINANCIAL STATEMENTS *(Continued)*

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

(4) The five highest paid individuals were the Company's directors or supervisors during the two years ended 31 December 2012.

In addition to the amounts disclosed above, three supervisors did not receive any remuneration from the Company in 2012, of which one supervisor is also a senior executive of STI Group, one supervisor is a senior executive of Sichuan Highway Development Company Limited ("Sichuan Highway Development"), which is also controlled by STI Group, and 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 21.73% 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 2012.

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 "Announcement of the State Administration of Taxation [2012] No. 12" dated 6 April 2012 issued by the PRC State Administration of Taxation, enterprises in encouraged industries that are established in the western region are able to enjoy a preferential tax rate of 15% from 2011 to 2020. The Group has made reference to *Guiding Catalog for Adjustment in the Industrial Structure (2011 Version)* (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 the 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% before 2011 and have no changes in their business operations, income tax expenses of these entities for the period ended 31 December 2012 continued to be calculated at a tax rate of 15%.

NOTES TO FINANCIAL STATEMENTS (Continued)

9. INCOME TAX (Continued)

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

	2012 RMB'000	2011 RMB'000
Current — Mainland China		
Charge for the year	229,045	250,872
Overprovision in prior years	—	(1,913)
Deferred (note 20)	(128)	(2,981)
Total tax charge for the year	228,917	245,978

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:

	2012 RMB'000	2011 RMB'000
Profit before tax	1,439,828	1,565,020
Tax at applicable tax rates of:		
25%	30,502	39,295
15%	197,673	211,176
Sub-total	228,175	250,471
Income not subject to tax	(703)	(204)
Expenses not deductible for tax	3,951	2,180
Adjustments in respect of current tax of prior years	—	(1,913)
Effect of change in tax rate on opening deferred tax	—	(2,992)
Profit attributable to associates	(2,506)	(1,564)
Tax charge at the Group's effective tax rate	228,917	245,978

The share of tax attributable to associates amounting to RMB2,935,000 (2011: RMB2,063,000) 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 2012 includes a profit of RMB831,048,000 (2011: RMB872,822,000), excluding dividend income from subsidiaries and an associate, which has been dealt with in the financial statements of the Company.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

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 (2011: 3,058,060,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 31 December 2012 and 2011 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 2012								
Cost:								
At 1 January 2012	659,232	191,985	169,601	435,873	176,868	91,861	67,097	1,792,517
Additions during the year	2,037	1,383	3,463	5,000	26,494	19,193	39,607	97,177
Disposals	(159)	(658)	(3,776)	(2,787)	(6,195)	(6,939)	-	(20,514)
Adjustments upon finalisation of construction costs	-	(556)	-	(4,828)	-	-	-	(5,384)
Transfers	2,187	1,370	5,376	92,960	1,082	-	(102,975)	-
Reclassification	1,500	(394)	394	-	4,902	(6,402)	-	-
At 31 December 2012	664,797	193,130	175,058	526,218	203,151	97,713	3,729	1,863,796
Accumulated depreciation:								
At 1 January 2012	622,684	143,150	119,613	147,003	100,974	47,166	-	1,180,590
Provided during the year	4,495	11,249	8,790	18,232	13,564	7,789	-	64,119
Disposals	(153)	(431)	(3,209)	(1,171)	(5,844)	(6,439)	-	(17,247)
Reclassification	1,455	-	-	-	2,942	(4,397)	-	-
At 31 December 2012	628,481	153,968	125,194	164,064	111,636	44,119	-	1,227,462
Net carrying amount:								
At 1 January 2012	36,548	48,835	49,988	288,870	75,894	44,695	67,097	611,927
At 31 December 2012	36,316	39,162	49,864	362,154	91,515	53,594	3,729	636,334

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Group (Continued)

	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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

12. PROPERTY, PLANT AND EQUIPMENT (Continued)

Company

	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 2012								
Cost:								
At 1 January 2012	425,467	150,312	126,526	262,936	75,247	48,251	66,918	1,155,657
Additions during the year	150	1,383	2,982	193	24,319	7,697	37,404	74,128
Disposals	(159)	(647)	(3,455)	-	(2,642)	(3,926)	-	(10,829)
Adjustments upon finalisation of construction costs	-	-	-	(4,828)	-	-	-	(4,828)
Transfers	2,253	941	4,488	92,960	1,082	-	(101,724)	-
At 31 December 2012	427,711	151,989	130,541	351,261	98,006	52,022	2,598	1,214,128
Accumulated depreciation:								
At 1 January 2012	398,815	116,619	85,103	88,287	54,927	22,025	-	765,776
Provided during the year	2,108	6,091	8,333	12,372	5,909	4,598	-	39,411
Disposals	(153)	(430)	(2,899)	-	(2,432)	(3,553)	-	(9,467)
At 31 December 2012	400,770	122,280	90,537	100,659	58,404	23,070	-	795,720
Net carrying amount:								
At 1 January 2012	26,652	33,693	41,423	174,649	20,320	26,226	66,918	389,881
At 31 December 2012	26,941	29,709	40,004	250,602	39,602	28,952	2,598	418,408

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

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 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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

13. SERVICE CONCESSION ARRANGEMENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cost:				
At 1 January	13,654,214	10,968,290	11,782,914	9,101,873
Additions	3,248,675	2,685,924	3,004,471	2,681,041
At 31 December	16,902,889	13,654,214	14,787,385	11,782,914
Accumulated amortisation:				
At 1 January	2,449,030	2,178,410	2,002,540	1,789,833
Charged for the year	317,620	270,620	255,902	212,707
At 31 December	2,766,650	2,449,030	2,258,442	2,002,540
Net carrying amount:				
At 1 January	11,205,184	8,789,880	9,780,374	7,312,040
At 31 December	14,136,239	11,205,184	12,528,943	9,780,374

- (a) At 31 December 2012, the concession rights pertaining to certain expressways with net carrying amounts listed below were pledged to secure bank loans granted to the Group (note 26(a)):

	2012 RMB'000	2011 RMB'000
Chengren Expressway	7,469,649	4,581,868
Chengle Expressway	1,144,993	1,179,656
Chengbei Exit Expressway	153,640	167,937
	8,768,282	5,929,461

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

13. SERVICE CONCESSION ARRANGEMENTS (Continued)

- (b) During the year, the Group was in the construction of Chengren Expressway (“Chengren Expressway BOT Project”) and Suining-Guang’an Expressway and Suining-Xichong Expressway (the “Suiguang-Suixi Expressways BOT Project”) in the form of Build-Operate-Transfer mode (collectively, “BOT Projects”). Total construction costs of RMB3,153,313,000 (2011: RMB2,604,878,000) were incurred, among which RMB3,153,313,000 (2011: RMB2,604,396,000) is sub-contracted to third party subcontractors.

In addition, construction revenue of RMB3,153,313,000 (2011: RMB2,604,891,000) was recognised in respect of the construction service provided by the Group using the percentage of completion method during the year. Construction revenue was included in the additions to service concession arrangements which were amortised upon the commencement of operation of the respective expressways.

- (c) Additions to service concession arrangements during the year include interest capitalised in respect of bank loans amounting to RMB157,103,000 (2011: RMB119,050,000) (note 6).

14. PREPAID LAND LEASE PAYMENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Carrying amount at 1 January	539,690	571,878	371,138	393,002
Recognised during the year	(32,109)	(32,188)	(21,814)	(21,864)
Disposal	(408)	—	—	—
Carrying amount at 31 December	507,173	539,690	349,324	371,138
Portion classified as current assets (note 23(d))	(32,132)	(32,188)	(21,815)	(21,864)
Non-current portion	475,041	507,502	327,509	349,274

Prepaid land lease payments represent the costs 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

15. INVESTMENTS IN SUBSIDIARIES

	2012 RMB'000	2011 RMB'000
Unlisted investments, at cost	2,355,811	1,731,817
Amounts due from subsidiaries are repayable:		
On demand or within 1 year	1,143,092	1,563,304
In the second year	300,000	—
	1,443,092	1,563,304

As at 31 December 2012, except for RMB870,000,000 (2011: RMB1,030,000,000) due from subsidiaries that bears interest at rates ranging from 5.85%-6.56% (2011: 4.58% to 5.49%), the remaining amounts due from subsidiaries are interest-free. All amounts due from subsidiaries were unsecured.

The amounts due to subsidiaries included in the Company's current liabilities as at 31 December 2012 and 2011 were unsecured, interest-free and repayable on demand.

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 RMB'000	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

15. INVESTMENTS IN SUBSIDIARIES (Continued)

Name	Nominal value of issued/registered capital RMB'000	Percentage of equity attributable to the Company		Principal activities
		Direct	Indirect	
Sichuan Shugong Expressway Engineering Company Limited	500,000	100	—	Repair and maintenance of expressways, construction of roads and expressways
Sichuan Shusha Enterprise Company Limited	30,000	100	—	Provision of ancillary services and property development
Sichuan Shunan Investment Management Company Limited	200,000	100	—	Construction project management
Sichuan Suiguangsuixi Expressway Company Limited	180,000	100	—	Construction and operation of Suiguangsuixi Expressway
Sichuan Chengya Expressway Oil Supply Company Limited ("Chengya Oil")*	27,200	51	—	Management of gas stations along expressways
Sichuan Chengyu Expressway Advertising Company Limited	1,000	—	60	Design and production of advertisements
Sichuan Shugong Road Construction Engineering Testing Company Limited	30,000	—	100	Provision of road, bridge and tunnel inspection services
Sichuan 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

* As at 31 December 2011, the Company held 45% equity interest in Chengya Oil. On 5 January 2012, the Company and the other shareholder made additional capital injection of RMB12,882,000 and RMB12,118,000, respectively, into Chengya Oil. As a result of the capital injections, the Company's equity interest in Chengya Oil increased from 45% to 51% and Chengya Oil became the Company's subsidiary since then. The net inflow of cash and cash equivalents of RMB16,416,000, representing the cash and bank balances of RMB4,298,000 acquired and capital contribution of RMB12,118,000 from the non-controlling shareholder at the acquisition date, was included in cash flows from investing activities.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

16. INVESTMENTS IN ASSOCIATES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Unlisted shares, at cost	—	—	38,438	39,428
Share of net assets	78,489	73,953	—	—
Provision for impairment	(9,163)	(9,163)	—	—
	69,326	64,790	38,438	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 ownership interest attributable to the Group		Principal activities
	2012	2011	
Chengdu Airport Expressway Company Limited	25	25	Operation of Chengdu Airport Expressway
Sichuan Chuanda Scientific Technology Result Transfer Centre Company Limited	20	20	Development and sale of high-tech products
Chengdu Stone Elephant Lake Communication Restaurant Company Limited	32.4	32.4	Provision of accommodation, meeting reception and entertainment services
Chengya Oil*	—	45	Operation of gas stations
Sichuan Chengyu Asphalt High-tech Company Limited (Chengyu Asphalt)**	—	45	Sale and production of asphalt, additives, chemical products and architecture materials

* As described in note 15 to the financial statements, Chengya Oil became a subsidiary of the Group during the year via additional capital injection by the Group in January 2012.

** On 10 December 2012, the Group disposed of its 45% equity interest in Chengyu Asphalt to an independent third party for a total consideration of RMB416,700, which give rise to a gain on disposal of an associate of RMB215,000 (note 5).

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

16. INVESTMENTS IN ASSOCIATES (Continued)

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

	2012 RMB'000	2011 RMB'000
Assets	520,367	536,354
Liabilities	284,822	303,707
Revenues	135,790	440,806
Profit	65,061	42,230

17. AVAILABLE-FOR-SALE INVESTMENTS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Listed equity investment, at fair value:				
Mainland China	52,003	49,104	33,550	31,680
Unlisted equity investments, at cost	18,299	18,299	17,229	17,229
	70,302	67,403	50,779	48,909

The above investments consisted of investments in equity securities which are 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

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 salient 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 a final instalment of RMB3,802,100 by 30 June 2023;
- (b) 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; and
- (c) 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:

	2012			2011		
	Compensation RMB'000	Imputed interest RMB'000	Net present value RMB'000	Compensation RMB'000	Imputed interest RMB'000	Net present value RMB'000
Receivables:						
Within one year	13,000	9,595	3,405	13,000	10,011	2,989
In the second to fifth years, inclusive	52,000	32,935	19,065	52,000	35,265	16,735
Beyond five years	68,802	22,340	46,462	81,802	29,605	52,197
	133,802	64,870	68,932	146,802	74,881	71,921
Portion classified as current assets (note 23)			(3,405)			(2,989)
Non-current portion			65,527			68,932

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

19. PAYMENTS IN ADVANCE

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Payments in advance in respect of: Chengren Expressway BOT Project	—	480,946	—	480,946
Upgrading projects along existing expressways	3,957	4,041	—	4,041
	3,957	484,987	—	484,987

20. DEFERRED TAX

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

Deferred tax assets

Group

	Deferred income RMB'000	Others RMB'000	Total RMB'000
At 1 January 2011	354	—	354
Deferred tax charged to profit or loss during the year (note 9)	(21)	—	(21)
At 31 December 2011 and 1 January 2012	333	—	333
Deferred tax credited/(charged) to profit or loss during the year (note 9)	(146)	155	9
At 31 December 2012	187	155	342

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

20. DEFERRED TAX *(Continued)*

Deferred tax assets *(Continued)*

Company

	Deferred income RMB'000
At 1 January 2011	354
Deferred tax charged to profit or loss during the year <i>(note 9)</i>	(21)
At 31 December 2011 and 1 January 2012	333
Deferred tax charged to profit or loss during the year <i>(note 9)</i>	(146)
At 31 December 2012	187

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 2011	9,323	7,487	16,810
Deferred tax credited to profit or loss during the year <i>(note 9)</i>	–	(3,002)	(3,002)
Deferred tax credited to reserves during the year	(5,822)	–	(5,822)
At 31 December 2011 and 1 January 2012	3,501	4,485	7,986
Deferred tax credited to profit or loss during the year <i>(note 9)</i>	–	(119)	(119)
Deferred tax charged to reserves during the year	538	–	538
At 31 December 2012	4,039	4,366	8,405

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

20. DEFERRED TAX (Continued)

Deferred tax liabilities (Continued)

Company

	Fair value adjustment arising from available- for-sale investment RMB'000
At 1 January 2011	6,015
Deferred tax credited to reserves during the year	(4,188)
At 31 December 2011 and 1 January 2011	1,827
Deferred tax charged to reserves during the year	281
At 31 December 2012	2,108

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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Gross deferred tax assets	155	—	—	—
Gross deferred tax liabilities	—	—	—	—
Net deferred tax assets	155	—	—	—
Gross deferred tax assets	(187)	(333)	(187)	(333)
Gross deferred tax liabilities	8,405	7,986	2,108	1,827
Net deferred tax liabilities	8,218	7,653	1,921	1,494

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

21. INVENTORIES

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Refined oil products	23,878	4,656	—	—
Spare parts and construction materials	14,242	22,294	197	197
	38,120	26,950	197	197

22. CONSTRUCTION CONTRACTS IN PROGRESS

	Group	
	2012 RMB'000	2011 RMB'000
Contract costs incurred plus recognised profits less recognised losses to date	59,141	1,121,256
Less: Progress billings	(2,386)	(183,157)
Construction contracts in progress	56,755	938,099
Representing:		
Amount due from customers for contract works	56,755	938,099

At 31 December 2012, retentions held by customers for contract works included in the Group's trade receivables amounted to approximately RMB19,121,000 (2011: RMB4,424,000).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

23. TRADE AND OTHER RECEIVABLES

	Notes	Group		Company	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade receivables					
Trade receivables		1,015,952	133,361	—	—
Impairment		—	—	—	—
Trade receivables, net	(a)	1,015,952	133,361	—	—
Other receivables					
Other receivables	(b)	868,209	840,836	161,545	43,747
Impairment		(112,771)	(112,762)	(30,321)	(30,321)
Deposits	(c)	755,438	728,074	131,224	13,426
Prepayments	(d)	52,479	80,807	20,600	21,122
		62,448	47,770	25,214	27,045
Other receivables, net		870,365	856,651	177,038	61,593
Total trade and other receivables		1,886,317	990,012	177,038	61,593
Non-current asset portion	(b)	(90,270)	(72,000)	—	—
Current asset portion		1,796,047	918,012	177,038	61,593

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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. 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 respective construction contracts, as appropriate.

According to the contracts governing the relevant construction works, trade receivables of RMB922,688,000 as at 31 December 2012, (2011: RMB88,998,000) are to be settled by instalments within two to three years upon completion of the relevant construction works and bear interest at rates ranging from 6.65% to 10.00% (2011: 10.00%) per annum. The remaining trade receivables are non-interest-bearing.

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:

	Group	
	2012 RMB'000	2011 RMB'000
Within 3 months	201,227	121,863
3 to 6 months	—	4,186
6 to 12 months	47,587	—
Over one year	767,138	7,312
	1,015,952	133,361

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

23. TRADE AND OTHER RECEIVABLES (Continued)

(a) (Continued)

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

	Group	
	2012	2011
	RMB'000	RMB'000
Neither past due nor impaired	890,001	127,407
Past due but not impaired:		
Within 3 months	119,281	—
3 to 6 months	3,675	1,835
6 to 12 months	2,551	3,675
Over one year	444	444
	1,015,952	133,361

Receivables that were neither past due nor impaired relate to government agencies 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 customers that have good payment records 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.

(b) The Group's other receivables at 31 December 2012 are analysed as follows:

	Group	
	2012	2011
	RMB'000	RMB'000
Temporary advances	544,614	666,524
Interest receivables on temporary advances	56,516	33,326
Long term compensation receivables to be received within one year (note 18)	3,405	2,989
Miscellaneous	263,674	137,997
	868,209	840,836

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

23. TRADE AND OTHER RECEIVABLES (Continued)

(b) (Continued)

As stipulated in the contracts entered into between the Group and the respective government agencies, other than the provisional of construction works under the "Build-Transfer" mode (collectively referred as "BT Projects"), the Group is also required to provide temporary advances to the government agencies for the resettlement of residents and removal of obstacles performed by the relevant government agencies. Such advances bear interest at rates ranging from 7.00% to 10.00% per annum (2011: 6.81% to 10.00% per annum). Temporary advances of RMB90,270,000 (2011: RMB72,000,000) will be settled by three instalments after 2013.

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
At 1 January	112,762	113,342	30,321	30,901
Impairment losses provided/ (reversed) (note 6)	111	(580)	—	(580)
Amount written off as uncollectable	(102)	—	—	—
At 31 December	112,771	112,762	30,321	30,321

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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Neither past due nor impaired	454,981	728,074	131,224	13,426
Past due but not impaired within 3 months	300,457	—	—	—
	755,438	728,074	131,224	13,426

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

23. TRADE AND OTHER RECEIVABLES (Continued)

(b) (Continued)

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.

Receivables that were past due but not impaired relate to a customer 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.

(c) Deposits of the Group and the Company at the end of the reporting period mainly include the following items:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Performance guarantee deposits in respect of:				
— BT Projects	22,652	59,208	—	—
— Suiguang-Suixi Expressways BOT Project	10,000	10,000	10,000	10,000
— Construction contracts	4,925	—	—	—
Bidding deposit in respect of:				
— Chengren Expressway BOT Project	10,000	10,522	10,000	10,522
— Construction contracts	3,600	—	—	—
Others	1,302	1,077	600	600
	52,479	80,807	20,600	21,122

(d) Prepayments of the Group and the Company at 31 December 2012 included prepaid land lease payments to be recognised within one year of RMB32,132,000 (2011: RMB32,188,000) and RMB21,815,000 (2011: RMB21,864,000), respectively (note 14).

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

24. CASH AND CASH EQUIVALENTS AND PLEDGED DEPOSITS

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Cash and bank balances	1,747,430	1,652,191	1,023,723	1,335,109
Time deposits	150,897	136,749	77,651	20,522
	1,898,327	1,788,940	1,101,374	1,355,631
Less: Pledged time deposits for:				
– Bidding Chengren Expressway BOT Project	(10,868)	(10,522)	(10,868)	(10,522)
– Performance guarantee under Suiguang-Suixi Expressways BOT Project	(10,333)	(10,000)	(10,333)	(10,000)
– Bank loan (note 26)	(56,450)	–	(56,450)	–
Cash and cash equivalents	1,820,676	1,768,418	1,023,723	1,335,109

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB and Hong Kong dollars amounted to RMB1,898,277,000 (2011: RMB1,788,897,000) and RMB50,000 (2011: RMB43,000), 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

25. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Trade payables	(a)	304,789	429,197	—	—
Other payables	(b)	1,473,902	1,314,840	1,204,294	1,191,568
Accruals	(c)	46,549	79,183	46,345	78,985
		1,825,240	1,823,220	1,250,639	1,270,553

- (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	
	2012 RMB'000	2011 RMB'000
Within 3 months	92,495	375,205
3 to 6 months	12,574	8,096
6 to 12 months	152,355	41,699
Over 1 year	47,365	4,197
	304,789	429,197

The trade payables are non-interest-bearing and are normally settled within one to twelve months, except for retention payables from construction projects of RMB7,929,000 (2011: RMB12,903,000) which are normally settled within two years.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

25. TRADE AND OTHER PAYABLES (Continued)

(b) Other payables at the end of the reporting period mainly included the following balances:

	Notes	Group		Company	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Advances		25,850	18,973	14,601	9,381
Payroll and welfare payables		50,588	29,722	29,217	18,129
Taxes and surcharge payables		72,165	64,534	19,140	15,277
Progress billing payables	(i)	897,352	843,930	792,498	838,703
Retention payables	(ii)	247,629	160,418	244,525	160,418
Deposits	(ii)	71,157	67,746	38,410	63,945
Others		109,161	129,517	65,903	85,715
		1,473,902	1,314,840	1,204,294	1,191,568

- (i) Progress billing payables of RMB748,074,000 (2011: RMB802,881,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project; and
- (ii) Retention payables and deposits of RMB290,458,000 (2011: RMB214,897,000) in respect of the construction of the Chengren Expressway BOT Project and Suiguang-Suixi Expressways BOT Project, including a performance guarantee deposit of approximately RMB24,024,000 (2011: RMB33,773,000) received from subcontractors, bear interest at rates of 0.35% to 0.50% (2011: 0.50%) per annum.
- (c) The balance as at 31 December 2012 consisted of interest accrued in respect of medium term notes and interest-bearing bank loans of RMB6,823,000 and RMB39,726,000, respectively. The balance as at 31 December 2011 consisted of interest accrued in respect of short term commercial papers of RMB73,789,000 and interest-bearing bank loans of RMB5,394,000, respectively.

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

26. INTEREST-BEARING BANK AND OTHER LOANS

	Notes	Group		Company	
		2012 RMB'000	2011 RMB'000	2012 RMB'000	2012 RMB'000
Bank loans:					
Secured and guaranteed	(a)(ii)&(iii)	1,106,400	106,400	1,000,000	—
Secured	(a)	4,002,012	2,688,162	3,911,012	2,610,162
Guaranteed	(a)(i)	—	10,000	—	—
Unsecured		1,000,000	350,000	1,000,000	300,000
Short term commercial papers	(b)	—	2,000,000	—	2,000,000
Medium term notes	(c)	700,000	—	700,000	—
Other loans, unsecured	(d)	43,182	65,909	43,182	65,909
		6,851,594	5,220,471	6,654,194	4,976,071
Analysed into:					
Bank loans repayable:					
Within one year		743,000	77,000	700,000	—
In the second year		348,000	113,000	300,000	100,000
In the third to fifth years, inclusive		1,797,500	1,246,125	1,797,500	1,198,125
Beyond five years		3,219,912	1,718,437	3,113,512	1,612,037
		6,108,412	3,154,562	5,911,012	2,910,162
Short term commercial papers repayable:					
Within one year		—	2,000,000	—	2,000,000
Medium term notes repayable:					
In the third to fifth years, inclusive		700,000	—	700,000	—
Other loans repayable:					
Within one year		22,727	22,727	22,727	22,727
In the second year		15,910	22,727	15,910	22,727
In the third to fifth years, inclusive		4,545	20,455	4,545	20,455
		43,182	65,909	43,182	65,909
Total bank and other loans		6,851,594	5,220,471	6,654,194	4,976,071
Portion classified as current liabilities		(765,727)	(2,099,727)	(722,727)	(2,022,727)
Non-current portion		6,085,867	3,120,744	5,931,467	2,953,344

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

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

- (c) On 19 June 2012 and 19 November 2012, the Company issued medium term notes totalling RMB200 million and RMB500 million, respectively, to domestic institutional investors participating in the PRC interbank debt market. The medium term notes of RMB200 million and RMB500 million were issued at par value of RMB100 per unit, at interest rates of 4.75% and 5.57% per annum, and will be repaid on 18 June 2017 and 18 November 2017, respectively.
- (d) Other loans are unsecured and bear interest at rates ranging from 2.82% to 5.00% (2011: from 2.82% to 5.00%) per annum.

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	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Group				
Bank loans	5,365,412	3,077,562	5,073,892	2,817,270
Medium term notes	700,000	—	621,475	—
Other loans	20,455	43,182	18,551	38,633
	6,085,867	3,120,744	5,713,918	2,855,903

	Carrying amounts		Fair values	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Company				
Bank loans	5,211,012	2,910,162	4,884,838	2,667,118
Medium term notes	700,000	—	621,475	—
Other loans	20,455	43,182	18,551	38,633
	5,931,467	2,953,344	5,524,864	2,705,751

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

27. ISSUED CAPITAL

	2012 RMB'000	2011 RMB'000
Issued and fully paid:		
A Shares of 2,162,740,000 (2011: 2,162,740,000) of RMB1.00 each	2,162,740	2,162,740
H Shares of 895,320,000 (2011: 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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

28. RESERVES (Continued)

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 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 and 1 January 2012	2,654,601	892,172	1,094,659	1,571,754	10,355	(244,529)	5,979,012
Total comprehensive income for the year	—	—	—	1,293,286	1,590	—	1,294,876
Transfer from/(to) reserves	—	129,971	389,914	(519,885)	—	—	—
Proposed final 2012 dividend (note 29)	—	—	—	(244,645)	—	—	(244,645)
At 31 December 2012	2,654,601	1,022,143	1,484,573	2,100,510	11,945	(244,529)	7,029,243

- (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 2012, the Company's reserves available for distribution to shareholders amounted to RMB2,345,155,000, as calculated in accordance with HK GAAP. The Company's distributable reserves as at 31 December 2012 determined under HK GAAP were lower than those determined under PRC GAAP.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

29. DIVIDEND

	2012 RMB'000	2011 RMB'000
Proposed final — RMB0.080 (2011: RMB0.090) per ordinary share	244,645	275,225

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 — The Group 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 2012, the Group and the Company had total future minimum lease payments under non-cancellable operating leases falling due as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Within one year	24,938	22,864	12,687	12,687
In the second to fifth years, inclusive	81,036	82,525	43,146	46,946
After five years	185,328	201,955	106,639	115,526
	291,302	307,344	162,472	175,159

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

31. COMMITMENTS

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

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
Contracted, but not provided for	7,343,234	1,625,939	16,405	1,625,939
Authorised, but not contracted for	4,245,840	3,043,167	240,570	2,916,293
	11,589,074	4,669,106	256,975	4,542,232

Further details of the capital commitments of the Group and the Company as at 31 December 2012 are analysed as follows:

	Group		Company	
	2012 RMB'000	2011 RMB'000	2012 RMB'000	2011 RMB'000
In respect of:				
Construction works to upgrade:				
– the expressways	99,360	144,928	64,500	123,278
– properties along the expressways	95,713	192,395	93,713	192,395
– gas stations along the expressways	118,867	65,510	51,400	–
Chengren Expressway BOT Project	–	2,724,849	–	2,724,849
Suiguang-Suixi Expressways BOT Project	11,142,732	1,410,000	–	1,410,000
Purchase of property, plant and equipment	132,402	131,424	47,362	91,710
	11,589,074	4,669,106	256,975	4,542,232

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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. 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 amounted to RMB22,727,000 (2011: 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 of the highway toll fee collection networks and the supportive technological services to the Group amounted to approximately RMB9,672,000 (2011: RMB9,623,000).
- (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 (2011: RMB1,138,000).
- (d) Guarantee of bank loans

At 31 December 2012, bank loans of Chengle Company aggregating RMB106,400,000 (2011: RMB106,400,000) were guaranteed by Sichuan Highway Development (note 26(a)(ii)) for nil consideration.

At 31 December 2011, bank loan of Chengbei Company of RMB10,000,000 was guaranteed by Chengdu Highway Development Company Limited (note 26(a)(i)) for nil consideration, and repaid during 2012.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

32. RELATED PARTY TRANSACTIONS (Continued)

- (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, and was extended at RMB2,442,000 per annum for another one year since 1 October 2012. During the year, the rental received from STI Group amounted to RMB2,136,000 (2011: RMB2,035,000).
- (f) Compensation of key management personnel of the Group:

	2012 RMB'000	2011 RMB'000
Fees	240	240
Other emoluments:		
Salaries, allowances and benefits in kind	3,971	4,330
Pension scheme contributions	208	167
Supplementary pension scheme contributions	324	257
	4,503	4,754
Total compensation paid to key management personnel	4,743	4,994

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, and transactions (a), (b), (c), (d) and (e) constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME *(Continued)*

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

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.

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.

With regard to 2012 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

	2012					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other loans	–	654,093	480,110	3,999,318	4,338,422	9,471,943
Trade and other payables	1,364,419	46,549	9,063	282,456	–	1,702,487
	1,364,419	700,642	489,173	4,281,774	4,338,422	11,174,430

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Group (Continued)

	2011					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years 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	1,437,000	79,183	33,773	179,008	—	1,728,964
	1,437,000	2,165,641	250,746	2,172,926	2,040,079	8,066,392

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

	2012					Total RMB'000
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	
Interest-bearing bank and other loans	—	608,645	473,252	3,925,468	4,219,336	9,226,701
Other payables	655,081	46,345	9,063	491,793	—	1,202,282
Due to subsidiaries	57,117	—	—	—	—	57,117
	712,198	654,990	482,315	4,417,261	4,219,336	10,486,100

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

33. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

Liquidity risk (Continued)

Company (Continued)

	2011					
	On demand RMB'000	Less than 3 months RMB'000	3 to 12 months RMB'000	1 to 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
Interest-bearing bank and other loans	–	2,065,967	148,060	1,903,535	1,914,431	6,031,993
Other payables	961,302	78,984	33,773	163,088	–	1,237,147
Due to subsidiaries	94,487	–	–	–	–	94,487
	1,055,789	2,144,951	181,833	2,066,623	1,914,431	7,363,627

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 their carrying amount. As the Group's major customers in the construction contracts segment are the PRC government 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.

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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (Continued)

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

Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise 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 2012 and 31 December 2011.

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 2012 was 45.98% (2011: 43.26%).

34. EVENT AFTER THE REPORTING PERIOD

On 22 February 2013, the Group entered into three separate land use rights transfer agreements with Land Resource Bureau of Renshou County, pursuant to which the Group obtained the land use right of three parcels of land with an aggregate granted area of 235,558.10 square metres at an aggregate consideration of RMB920,160,000. The three parcels of land are all located in the Chengbei New Town of Renshou County, Meishan City, Sichuan Province, the PRC and with lease term of 40 years for commercial use and 70 years for residential use, respectively.

35. COMPARATIVE AMOUNTS

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

36. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the Board on 28 March 2013.