

# Anhui Expressway Company Limited

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

(Stock Code : 0995)

ANNUAL REPORT  
**2012**



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## 2 Important Notice

1. The Board of the Directors, the Supervisory Committee and the Directors, Supervisors and the Senior Management of Anhui Expressway Company Limited hereby warrant that there are no false accounts, misleading statements or significant omissions of information contained in this report, and jointly and individually accept responsibility as to the truthfulness, accuracy and completeness of its contents.
2. All the directors attended the Board meetings.
3. The unaudited financial statements were prepared in accordance with the PRC and Hong Kong Accounting Standards and were reviewed by the Audit Committee of the Company.
4. Mr. Zhou Renqiang, Chairman, Mr. Xie Xinyu, Deputy General Manager and Ms. Liang Bing, manager of the Financial Department of the Company hereby confirm that the financial statements contained in the Annual Report are true and complete. The Audit Committee of the Company reviewed the financial accounts.
5. **The 2012 profit appropriation plan or transfers of share capital from capital reserves plan approved by the Board of Directors:** the total amount of statutory surplus reserve has reached above 50 percent of the total shares, thus it won't be extracted this year. The Company's net profit as shown on the 2012 financial statements prepared in accordance with the PRC Accounting Standards was RMB 749,299 thousand. The Company's net profit as shown on the 2012 financial statements prepared in accordance with the Hong Kong Accounting Standards was RMB 728,712 thousand. Consequently, the profit attributable to shareholders was RMB 749,299 thousand and RMB 728,712 thousand in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards respectively. Pursuant to relevant regulations of the State, the profit attributable to shareholders should be the lower of that calculated in accordance with the PRC Accounting Standards and the Hong Kong Accounting Standards. Accordingly, the 2012 profit was RMB 728,712 thousand. The Board of the Company recommended the payment of a final dividend of RMB 331,722 thousand on the basis of RMB 2.0 for every 10 shares (tax included) based on the total share capital outstanding at the end of 2012 of 1,658,610,000 shares. In 2012 no transfers of share capital from capital reserves were involved.
6. The major risks have been concretely described in the report and please check them in Section V Report of the Board of Directors. The related future plan, development strategy and other forward-looking descriptions are not committed to the investors. The investors should do rational investment and pay attention to the investment risk.
7. If there were extraordinary use of funds by the controlling shareholder and its related parties? No
8. If there was offering for security in violation of specified procedure? No

## I. Notes

In this report, except for the other meaning as the context referred to, the words have the meaning as followed:

“The Company”, “Company”	Means	Anhui Expressway Company Limited
“The Group”	Means	The Company, its subsidiaries and associated companies
“AEHC”	Means	Anhui Expressway Holding Group Company Limited (formerly known as Anhui Expressway Holding Corporation), the two companies are the same enterprise legal person
“SSE”	Means	Shanghai Stock Exchange
“SEHK”	Means	The Stock Exchange of Hong Kong Ltd.
“Hua Jian Center”, “China Merchants Hua Jian”	Means	China Merchants Hua Jian Highway Investment Company Limited (Formerly known as Hua Jian Transportation Economy Development Center)
“Xuanguang Company”	Means	Xuanguang Expressway Company Limited
“Expressway Media”	Means	Anhui Expressway Media Company Limited
“Xin’an Financial”	Means	Anhui Xin’an Financial Group Co., LTD
“Xuancheng Transportation Investment”	Means	Xuancheng Transportation Investment Company Limited (Formerly known as Xuancheng Highway Construction Management Company Limited)
“Anlian Company”	Means	Anhui Anlian Expressway Company Limited
“Ningxuanhang Company”	Means	Anhui Ningxuanhang Expressway Investment Company Limited
“Xuancheng Transportation and Construction”	Means	Xuancheng City Transportation and Construction Investment Company Limited
“Yida Company”	Means	Anhui Provincial Yida Expressway Service Area Operating Management Company Limited
“Fuzhou Expressway”	Means	Anhui Provincial Fuzhou Expressway Company Limited
“Highway Engineering Supervision Company”	Means	Anhui Province First Class Highway Engineering Supervision Company Limited

## 4 Section I Notes and Major Risk Notice

“Bangning Property”	Means	Hefei City Bangning Property Management Company Limited
“Inspection and Scientific Research Center”	Means	Anhui Provincial Expressway Experiment Inspection and Scientific Research Center
“Xiandai Transportation”	Means	Anhui Provincial Xiandai Transportation Facilities Project Company Limited
“Expressway Petrochemical”	Means	Anhui Expressway petrochemical Co., LTD
“Guangci Company”	Means	Xuancheng City Guangci Expressway limited liability company
“Wan Tong Pawn”	Means	Hefei Wantong Pawnbroker Company Limited
“Wan Tong MicroCredit”	Means	Hefei Wantong MicroCredit Company Limited
“Huatai Group”	Means	Hefei City Huatai Group Corporation Limited
“Xin Tongji Inspection”	Means	Anhui Xin Tongji Road Construction Experiment Inspection Company Limited
“Expressway Investment”	Means	Anhui Provincial Expressway Investment Company Limited

### II. Major Risk Notice

The major risks have been concretely described in the report and please check them in Section V Report of the Board of Directors which illustrates the possible risk factors related to the discussion and analysis in the future development of the company and the measures.

## 1. Company Information

Official Chinese name of the Company:	安徽皖通高速公路股份有限公司
English name of the Company:	Anhui Expressway Company Limited
Abbreviation (in Chinese):	皖通高速
(in English):	Anhui Expressway
Legal representative of the Company:	Zhou Renqiang

## 2. Contact Details

	<b>Secretary to the Board of the Company</b>	<b>Representative of Securities Affairs</b>
Name	Xie Xinyu	Han Rong, Ding Yu
Contact address	520 Wangjiang West Road, Hefei, Anhui, the PRC	520 Wangjiang West Road, Hefei, Anhui, the PRC
Telephone	0551-65338681	0551-65338697, 63738923, 63738989, 63738922
Fax	0551-65338696	0551-65338696
Email Address	wtgs@anhui-expressway.net	wtgs@anhui-expressway.net

## 3. Basic Information Introduction

Registered address of the Company	520 Wangjiang West Road, Hefei, Anhui, the PRC
Postal code of registered address	230088
Office address of the Company	520 Wangjiang West Road, Hefei, Anhui, the PRC
Postal code of office address	230088
Website of the Company	<a href="http://www.anhui-expressway.net">http://www.anhui-expressway.net</a>
E-mail address of the Company	wtgs@anhui-expressway.net

#### 4. Information Disclosure and Addresses for Keeping Report

Newspapers designated for publishing report	China Securities Post, Shanghai Securities Post
Websites designated for disclosure of annual report assigned by CSRC	http://www.sse.com.cn http://www.hkex.com.hk http://www.anhui-expressway.net
Addresses designated for keeping annual report	Shanghai Stock Exchange, 528 Pudong South Road, Shanghai Hong Kong Registrars Limited, 46th Floor, Hopewell Center, 183 Queen's Road East, Hong Kong Company's head office at 520 Wangjiang West Road, Hefei, Anhui, the PRC

#### 5. Company Stock Information

Company Stock Information				
Stock Category	Stock Exchange	Stock Abbreviations	Stock Code	Stock Abbreviations altered before
A Shares	Shanghai Stock Exchange	Wantong Expressway	600012	—
H Shares	The Stock Exchange of Hong Kong Limited	Anhui Expressway	0995	—

#### 6. The Alteration of Registration during the Reporting Period

##### (1) Basic Information

The Registration Date of Last Time	20/07/2010
The Registration Address of Last Time	520 Wangjiang West Road, Hefei, Anhui, the PRC
Enterprise Corporation Management License Registration Number	340000400002623(1-1)
Tax Registration Number	340104148973087
Organization Code Certificate	14897308-7

The registered information has not been altered during the reporting period.

**(2) The related inquired contents of the first registration information**

Please check the first registration information in the 2002 year annual report of the company.

**(3) The altered information of the main business since the company is listed**

The Company is principally engaged in the operation and management of toll expressways and relevant business in Anhui Province, the PRC.

**(4) The Alteration of the Holding Shareholders since the Company is Listed**

Expressway Holding Corporation as the only promoter. On August 1996, the Company was established by Anhui.

In January, 2001, in terms of the approval of Finance Ministry [1999] No. 156, Anhui Expressway Holding Group Corporation signed "Domestic Equity Management Agreement", 376,860,000 state-owned shares which is held by AEHC instead of Communication Ministry has been altered into the state-owned legal person shares. Huajian Center held and managed these shares, and thus it became the second largest shareholders of the Company.

According to "about the reply of the implementation method of the company institution reform of Anhui Expressway Holding Corporation", AEHC implemented the company institutional reform. After the reform, it has been altered into Anhui Expressway Holding Group Company Limited in January, 2010, which is still a state-owned corporation limited by shares.

In June 2011, Hua Jian Transportation Economy Development Center completed the work of the rename and institutional alteration and it has been changed into China Merchants Hua Jian Highway Investment Company Limited.



### 7. Other Related Materials

PRC Accountant	Name	PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co., Ltd
	Office Address	11th Floor, PricewaterhouseCoopers Center, Hubin Road, Shanghai
	Signed Accountant	Zhou Zhe, Tong Naiyong
Hong Kong Accountant	Name	PricewaterhouseCoopers Certified Public Accountants
	Office Address	22nd Floor, Prince's Building, Central, Hong Kong
	Signed Accountant	PricewaterhouseCoopers Certified Public Accountants
PRC Legal Adviser	Anhui Expressway Lawyer's Office	19th Floor, Wangcheng Mansion, 248 Changjiang West Road, Hefei, Anhui, the PRC
Hong Kong Legal Adviser	Gallant Y.T.Ho & Co	5th Floor, Jardine House, 1 Connaught Place, Hong Kong
Domestic share registrar	Name	China Securities Central Clearing and Registration Corporation, Shanghai Branch
	Office Address	36th Floor, China Insurance Mansion, 166 Lujiazui East Road, Shanghai
Overseas share registrar	Name	Hong Kong Registrars Limited
	Address	46th Floor, Hopewell Center, 183 Queen's Road East, Wanchai, Hong Kong

### 8. Corporate Profile

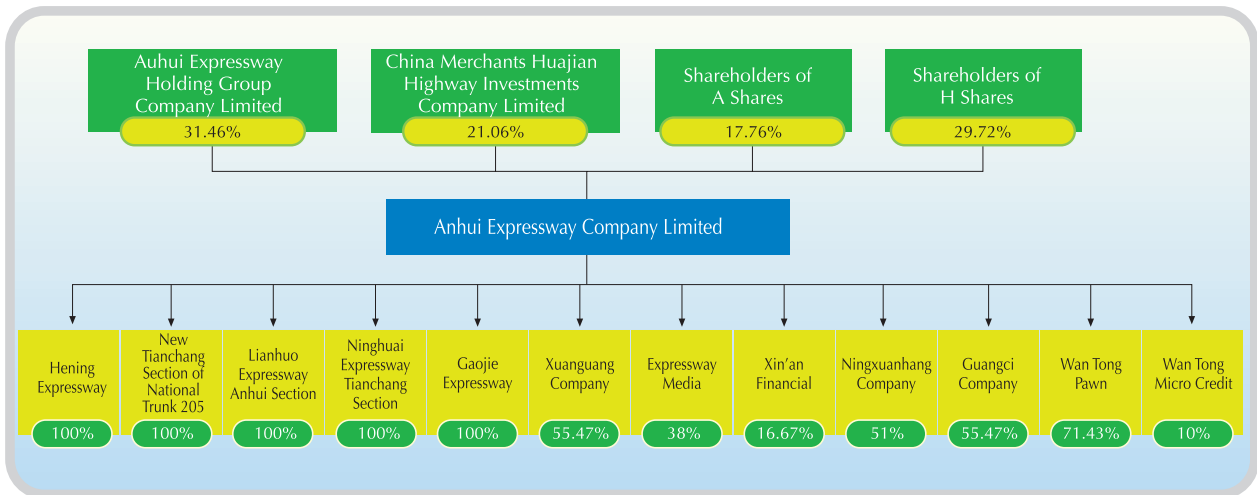
Anhui Expressway Company Limited (the "Company") was incorporated on 15 August 1996 as a joint stock limited company in Anhui Province, the People's Republic of China (the "PRC"). The registered capital is RMB1,658,610,000.

The Company is principally engaged in the operation and management of toll expressways and relevant business in Anhui Province, the PRC.

The Company is the first PRC highway company listed in Hong Kong. It is also the only listed highway company in Anhui Province. On 13th November 1996, H Shares issued by the Company were listed on The Stock Exchange of Hong Kong Limited (Stock code: 0995). On 7th January 2003, A Shares issued by the Company were listed on Shanghai Stock Exchange (Stock code: 600012).

The core business of the Company is the investment, construction, operation and management of toll roads. The Company owns total or partial equities of Hening Expressway (G40 Hushan Expressway Hening Section), New Tianchang Section of National Trunk 205, Gaojie Expressway (G50 Huyu Expressway Gaojie Section), Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section), Guangci Expressway (G50 Huyu Expressway Guangci Section), Ninghuai Expressway Tianchang Section and Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section), which are toll highways in Anhui Province. As of 31 December 2012, the operation mileage which the Company manages has reached 440km and the total assets is about RMB 11,334,161,000.

As of 31 December 2012, the structure of the Company, subsidiaries and associated companies (the "Group"):



The 2012 financial statements of the Group were audited by PricewaterhouseCoopers Zhong Tian Certified Public Accountants Company Limited and PricewaterhouseCoopers Certified Public Accountants respectively who issued unqualified audit opinions on these financial statements.

## 1. Prepared in accordance with accounting principles generally accepted in the PRC (“the PRC Accounting Standards”)

### A. Main Accounting Data and Financial Indicators of the last three years at the end of the reporting period

#### a. Main Accounting Data

Unit: yuan Currency: RMB

Main Accounting Data	2012	2011		Change of the current period over the same period of the last year	2010	
		Adjusted after	Adjusted before		Adjusted after	Adjusted before
Operating income	2,222,507,036.21	2,287,216,080.75	2,216,354,505.11	-2.83	2,188,042,122.86	2,121,214,833.01
Net profit attributable to shareholders of the Company	761,000,765.20	868,325,186.54	856,727,960.77	-12.36	799,709,272.93	782,917,338.44
Net profit after extraordinary items attributable to shareholders of the Company	760,774,928.16	866,825,288.10	853,500,657.92	-12.23	803,430,597.61	786,550,814.91
Net cash flows from operating activities	1,309,791,902.29	1,557,871,041.14	1,548,407,201.13	-15.92	1,557,774,839.47	1,543,382,383.69

	The end of 2012	The end of 2011		Change of the current period over the same period of the last year	The end of 2010	
		Adjusted after	Adjusted before		Adjusted after	Adjusted before
Net assets attributable to shareholders of the Company	6,543,343,874.35	6,357,009,233.19	6,266,753,042.76	2.93	5,841,783,197.91	5,756,707,003.20
Total assets	11,334,161,449.16	10,456,770,769.52	10,106,000,905.20	8.39	9,806,412,237.52	9,411,387,700.04

## b. Main Financial Statistics

Financial statistics	2012	2011		Change of the current period over the same period of the last year	2010	
		Adjusted after	Adjusted before		Adjusted after	Adjusted before
Basic earnings per share	0.459	0.524	0.517	-12.40	0.482	0.472
Diluted earnings per share	0.459	0.524	0.517	-12.40	0.482	0.472
Basic earnings per share after extraordinary items	0.459	0.523	0.515	-12.24	0.484	0.474
Returns on net assets An increase of (weighted average)(%)	11.81	14.37	14.39	-2.56	13.69	13.60
Returns on net assets after extraordinary items (weighted average)(%)	11.81	14.34	14.34	-2.53	13.75	13.66

Notes: In 2012, because the acquisition of 51% equities of Guangci Company from the Group belongs to the enterprise consolidation under the same control (see financial statements iv according to PRC accounting standards), the compared statistics of the financial statement in the previous period have been restated.

**B. Major difference between financial statements prepared in accordance with different accounting standards**

Unit: yuan Currency: RMB

	Net profit		Net assets attributable to shareholders of the Company	
	Amount of current period	Amount of previous period	Amount at the end of period	Amount at the beginning of the period
PRC accounting standards	761,000,765.20	868,325,186.54	6,543,343,874.35	6,357,009,233.19
Projects and amount adjusted according to HK accounting standards:				
Valuation and Depreciation/ amortization and deferred taxes	-8,848,5263	-7,138,931.54	100,031,609.19	108,821,422.44
Reconciliation to HK accounting standards	752,152,238.27	861,186,255.00	6,643,375,483.54	6,465,830,655.63

In order to issue "H" share in Hong Kong, the toll roads and related land use rights were valued by a PRC certified public valuer and an international certified public valuer on 30 April and 15 August 1996 respectively. The fair value valuated by the international certified public valuer is higher than the PRC certified public valuer's result by RMB 319,000,000, which was included in the financial statements prepared in accordance with HKFRS. In addition, the depreciation of toll roads under HKFRS is provided based on the share of traffic volume for a particular period over the projected total traffic volume, which is different from the straight-line method adopted by PRC accounting standards. These differences lead to the reconciliation items presented above.

## C. Extraordinary items deducted and amounts involved:

Unit: yuan Currency: RMB

Extraordinary items	Amount of 2012	Note (if applicable)	Amount of 2011 (restated)	Amount of 2010 (restated)
Gains and losses from disposals of non-current assets	-1,194,438.49	Gains from disposals of fixed assets	-2,342,721.14	-14,260,230.33
Government subsidies charged to the current gains/losses	2,172,787.68	Received the income amount of construction funds subsidies of Ninghuai Expressway (Tianchang Section) provided by Jiangsu Provincial Expressway Construction Headquarter (attached to the Transportation Department of Jiangsu Province) in 2007, and the 2011 deferred income amount of construction funds subsidies of Hening Expressway and Guojie Expressway provided by Anhui Provincial Expressway Construction Headquarter (attached to the Transportation Department of Anhui Province) in 2010	2,172,787.68	2,027,966.23
In addition to the above other non-operating revenue and expenditure	-1,306,204.02	The main reason is non-operating revenue and expenditure	-38,106.03	6,041,072.28
Effects of the amount of non-controlling interest and interests	471,728.16		1,655,928.06	1,266,572.08
Effect of income tax	81,963.71		52,009.87	1,547,797.86
Total	<u>225,837.04</u>		<u>1,499,898.44</u>	<u>-3,376,821.88</u>

## 2. Prepared in accordance with the accounting principles generally accepted in Hong Kong (“the Hong Kong Accounting Standards”) (Unaudited)

For the end of 31 December of the year

### Summary of Results

	2012	2011 (restated)	2010 (restated)	2009 (restated)	2008 (restated)
					RMB' 000
Turnover	<b>3,122,350</b>	3,052,074	2,619,491	2,583,436	3,013,265
Operating profit before income taxation	<b>1,102,985</b>	1,268,607	1,178,933	975,720	987,722
Profit attributable to equity holders of the Company	<b>752,152</b>	861,185	811,545	682,328	679,921
Basic earnings per share attributable to equity holders of the Company (RMB)	<b><u>0.4535</u></b>	<u>0.5192</u>	<u>0.4893</u>	<u>0.4114</u>	<u>0.4099</u>

### Summary of assets

	2012	2011 (restated)	2010 (restated)	2009 (restated)	2008 (restated)
					RMB' 000
Total assets	<b>11,447,514</b>	10,582,951	9,940,585	9,956,661	8,997,421
Total liabilities	<b>4,027,027</b>	3,736,252	3,628,357	4,168,087	3,533,782
Total net assets (Capital and reserve attributable to equity holders of the Company)	<b>6,643,376</b>	6,465,831	5,959,890	5,485,666	5,188,543
Net assets per share (RMB)	<b><u>4.0054</u></b>	<u>3.8983</u>	<u>3.5933</u>	<u>3.3074</u>	<u>3.1282</u>

To shareholders:

I would be honored to represent the Board of Directors to submit the annual report of the Group for the year ended 31 December 2012.

### Annual Results

For the year 2012, in accordance with the PRC Accounting Standards, the Group recorded a revenue of RMB 2,222,507 thousand for the whole year. The net profit attributable to shareholders of the parent company was RMB761,001 thousand, basic earnings per share was RMB 0.459. In accordance with Hong Kong Accounting Standards, the net profit attributable to equity holders of the Company was RMB 752,152 thousand, basic earnings per share was RMB0.4535.

The Board of the Company recommended the payment of a final dividend on the basis of RMB 0.2 per share at the end of 2012, accounting for 44.10% of the net profit per share (according to Hong Kong Accounting Standards).

### Review of the Year 2012

In 2012, the situation of the world economy was continually keeping recession and the domestic economy slows down. During the year, the gross domestic product (GDP) of the PRC reached RMB 51.93 trillion, an increase of 7.8% year on year and the economic growth slides down; whereas Anhui Province achieved a domestic product of RMB1.72 trillion, an increase of 12.1% year on year, representing a slight reverse in growth rate year on year.

In 2012, the mileage of expressway in Anhui Province reached 3,210 km, a length in excess of 201 km. During the year, the volume of passenger, the turnover volume of passengers, the volume of goods and the turnover volume of goods reached 2.07 billion person, 132.8 billion person kilometers, 3 billion tons and 887.8 billion ton kilometers, representing an increase of 15.3%, 15.3%, 17.3% and 19.4% respectively over last year.

In 2012, the company sought for development in the complicated economic and political environment. Under the serious challenge of economic situation and the pressure of operation and management, the company seriously analyzed it and actively coped with it. Closely around the emphasis in work which has been made at the beginning of the year, the Company carried on the working plans in order and did better management with the focus on the main business. Meanwhile, the Company implemented a serious of effective measures which aimed at stably developing financial investment service and it perfectly completed all of the tasks.



This year, the Company mainly put emphasis on the following work:

**1. Improve the capital accumulation and ensure the steady progress of the projects which are under-constructed**

During the reporting period, the Company closely kept track on the situation of the financial market, strengthened the cooperative relationship between bank enterprises, explored and enriched the financing channels, actively regulated construction and management, made payment of construction capital as soon as possible and enhanced on-site supervision in order to guarantee the stabilized progress of Ning-Xuan-Hang expressway construction.

In 2012, Ning-Xuan-Hang construction project has completed the investment of RMB 0.831 billion and the project completed the total investment of RMB 2.025 billion. Xuan-Ning phase completed the investment of RMB 1.681 billion and the subgrade construction has been nearly completed. The road surface and its subsidiary constructions have been carried forward in order. The first-phase of Ning-Qian project has been nearly finished and it totally completed the investment of RMB 0.344 billion.

**2. Effectively reorganize resources and make efforts to expand the major business**

To further enlarge the main business, improve profit level, rationalize the business contact of Guangci Company and Xuanguang Company to make it easier to manage, the Company successfully invested RMB 0.234 billion to fulfill 55.47% equity acquisition of Guangci Company based on the investigation and research of Guangci Company's operation condition and the future developing potentiality. In 2012, the procedures such as relevant equity transferring and the industrial and commercial changing registration have been accomplished and the scale of the company's main business further expands.

Guangci Expressway is the key construction project of Anhui Provincial "Shiwu" Plan, the important phase of the expressway from Hefei to Hangzhou, and also the important phase of "Yi Heng" in "Liang Yan, San Zong, Liu Heng, Jiu Lian" among Anhui Provincial Road Network Planning. The acquisition of the project is beneficial for the Company to exert scaled economy effect and coordinated effect, expand the good qualified road industry and improve the profit level.

### **3. Implement the capital operation and successfully realize the capital increase and shares expansion of Ningxuanhang project**

In order to satisfy the project capitalization and further capitalization requirement of Ningxuanhang Expressway project, on August 2012, the Company signed an agreement of capital increase and shares expansion with AEHC and Xuancheng Transportation Investment Company. The registered capital of Ningxuanhang Company increased from RMB 0.1 billion to RMB 0.3 billion and the proportion of shares held by shareholders has respectively changed into 51%, 39% and 10%, which effectively relieved the capitalization pressure of the Company's construction.

During the reporting period, the relevant commercial changing registration of Ningxuanhang project has been completed, thus, the higher rate of liability of Ningxuanhang Company and the problem of further construction capitalization have been solved.

### **4. Explore investment areas and spare no efforts to enhance the diversified developing process**

#### **A. Rent Service**

In 2012, dependent on the main business of expressways, the Company actively developed the road area economy renting service. The Company continually did the renting work of service areas and the petrol station capitalization and also, it rented the idle laid-up office buildings and its subsidiary equipments in Wan Tong Industrial Park for the other companies and it received the rent fees. In this way, it not only avoided the idle resources laid up, but also created new revenue sources. During the reporting period, the rent income of the Park, the service areas and the petrol stations the Company achieved was RMB 40,874,600.

#### **B. Financial Investment Service**

In 2012, the Company invested RMB 0.15 billion to establish Wan Tong Pawnbroker Co. Ltd (holding 71.43% shares), invested RMB 15,000,000 to joint stock of Wan Tong MicroCredit Co. Ltd (holding 10% shares) and made payment of the rest capital contribution of Xin'an Financial, which is RMB 0.2 billion. The company went through founding formalities of Wan Tong Pawnbroker Co. Ltd and Wan Tong MicroCredit Co. Ltd as soon as possible and it strengthened the supervision and management of the two companies after the operation of them in order to effectively avoid and control the financial investment risk. Up to now, Wan Tong Pawnbroker Co. Ltd and Wan Tong MicroCredit Co. Ltd have been put into operation and the management situation of Xin'an Financial is fairly stable.

**5. Strengthen the operation and management, and try best to improve the synthetical service level of expressways**

In 2012, the Company actively implemented the toll management institution, seriously carried out the policy of "Green Passage" and "Free Pass of Small Passenger Vehicles on Holidays", and forcefully organized the activity of "Stop the Escaped to increase the income". According to the real conditions of each phases, the Company established the unified system of hitting the escaped toll, expanded the constructed scope of ETC special lanes, and took measures of "the cooperation between the government and the traffic police", the strengthen of propaganda, the increase of cards delivery lanes, the control of the panel points along the expressways, the traffic diverging of passengers and goods vehicles, the increase of the portable equipments and so on. In this way, the company guaranteed the unimpedement of the phases managed, and effectively improved the passing capacity of expressways, the effect of stopping the escaped to increase the income and the efficiency of the toll.

During the reporting period, the Company established the maintenance management system of "the unification of responsibility and right, and the high efficiency and intensivism", and also, it entrusted the external agencies to make the special design of the maintenance project, which has improved the scientificness of maintenance and meanwhile, it exerted the overall maintenance based on the emphasis of the surface and the panel points of bridges.

During the reporting period, the Company organized a lot of practices of traffic accidents and traffic jams joint with the related departments in terms of its own reality. It organized practices of fire and robbery alarm at the toll stations, office buildings and so on. Also, it organized practices of flood defense, emergency treatment of personnel and so on. All of the practices highly improved the ability of cooperative engagement and emergency disposal.

**6. Strengthen the internal controlling implementation and concentrate on the construction of scientific management system**

In 2012, the Company protocolled the annual internal controlling schemes, set up the internal controlling commissioner, enhanced the Company's system, renewed the the internal controlling handbook, implemented the rectification and correction responsibilities as well as supervision and evaluation duties, organized special training of the internal controlling, and so on in order to actively push forward the internal controlling construction exerted step by step, create good internal controlling atmosphere and solve the continuity problem of the internal controlling construction after the service contract of the inquiring agencies expired. Now, the Company's internal controlling construction system contains corporate governance, human resources management, financial management, production and operation, approval process and limits of authority, investment, information publication and so on. All of the contents is involved in each aspect and step of the Company's production and operation activities, which construct the risk management and internal controlling system of the Company and its shares-holding subsidiary companies, and they also guarantee that the operation of the Company is controlled.

### **7. Push on the culture deeply rooted and forcefully make the corporate culture construction continually carry forward**

In 2012, the Company continually push on the culture deeply rooted, exerted human-oriented management and promoted the corporate culture construction sustainably developed. The Company created strong internal corporate culture rooted atmosphere and made the excellent management philosophy which complies with the reality integrated into the operation and rooted into the management with the implementation of a series of publicity work. In addition, institutional cultural construction got obvious achievements, which, together with the inquired suggestions of the Company's strategy management, management and controlling mode, organizational framework, and other management modules, has been transformed into the implementation plan complied with the reality of the Company's development.

The improvement of the soft cultural power created the harmonious working atmosphere and comfortable living environment of the Company and also, it built a fair opened platform for growth, which made the sense of belonging and sense of glory of the staff members promoted and the corporate atmosphere of solidarity and common development stronger.

### **Outlook in 2013**

In 2013, domestic and foreign economic status will be more complex. The negative influence of European debt crisis and economic crisis will continue. Develop economies face economic depression, while emerging economies have slower economic growth. It is difficult for the world economy to recover from the crisis. Severe international economic status leads to higher risk of economic decrease in China. The company will face a series of challenges.

Firstly, national and regional economic growth becomes slower. The development environment for logistics is poor. Logistic demand decreases. Traffic flow and toll income decreases.

Secondly, expressway industry faces greater and greater policy risk. Green Channel and Policy of Free Policy for Passenger Car on Key Festivals and Holidays promote the livelihood projects in traffic field. Policy risk and negative influence will be more prominent.

Thirdly, along with increasingly complete expressway network in Anhui Province, the change in road network will distribute the traffic in the region under the control of our company.

Fourthly, comprehensive transportation system will be completed in future years. Along with constantly improving transportation environment consisted of air transportation, high-speed rail, common road, and waterway, the company will constantly face the competitive pressure on main business.

Therefore, we shall make clear the status and increase the awareness of unexpected development. In addition, we shall scientifically judge the development trend and deeply analyze the development environment to master favorable opportunity and key charge suitable for company development.

In 2013, seen from the internal operation of the company, successful acquisition of Guangci Expressway Share enlarges the main business scale constantly; the completion of increase in capital and share for Ningxuanhang Expressway provides steady capital guarantee for successive construction. With the completion and operation of Ningxuanhang Expressway Stage I, the development environment of main business in the company will be improved significantly.

In the future, in order to accelerate the development, we will correctly grasp the new macroeconomic status and new trend of industrial development. We will further solidify our development confidence and master the opportunity to transfer various positive factors into development advantages. In addition, we will prepare for all difficulties and challenges and transfer the pressure into motive power to realize the company development of higher quality and higher benefit.

In 2013, the Company will steadily implement diversified development strategies based on the highway operation management, and regard the expressway operation as the main business. The company will gradually extend the expressway industrial value chain by closely tracking the industries and fields including road area economic and financial investment. The company will further enhance precision management and promote management innovation. The company will enhance internal control and reduce operation cost. In line with the principle of harmonious development on "scale, quality, and benefit", the company will carry out work steadily. Through our constant efforts, the company will be developed into a diversified company group of high technology content, strong financing ability, and good management level integrating expressway, road area economy and financial investment.

### Appreciation

Here, on behalf of the Board of Directors, I would like to express my sincere gratitude to the support of all shareholders and colleagues of different businesses, to the remarkable achievements of all directors, supervisors and senior management, and to the great efforts for the Company's development of all staff members.

*Chairman*

**Zhou Renqiang**

22 March, 2013

## I. The discussion and analysis of the operation by the Board of Directors during the reporting period (in accordance with the PRC Accounting Standards)

The Company is principally engaged in the operation and management of toll expressways and relevant business.

During the reporting period, in the face of the complicated and severe macroeconomic situation, the Group tightly held the tone of advancing with steady steps and it almost accomplished the annual operation objective.

During the reporting period, the Group achieved the operating income of RMB2,222,507 thousand (2011: RMB2,287,216 thousand), representing a decrease of 2.83 over the corresponding period of the previous year; Total profit of RMB1,115,097 thousand (2011: RMB1,276,551 thousand), representing a decrease of 12.65 over the corresponding period of the previous year; Net profit attributable to shareholders of the Company of RMB761,001 thousand (2011: RMB868,325 thousand), representing a decrease of 12.36 over the corresponding period of the previous year; Basic earnings per share of RMB0.459 (2011: RMB0.524), representing a decrease of 12.40 over the corresponding period of the previous year. The decrease of net profit was mainly due to the decrease of the operating income of the Group.

### Summary of performance of toll road

During the Reporting Period, due to the further slowdown of the economic growth of the country and the area, the more serious traffic diverging, the expanding of the policy of deductions and exemptions and so on, the Group achieved total toll income of RMB2,127,491 thousand in 2012, representing a decrease of 4.69 from the same period in 2011.

### Operations of Each Road

Items	Interests	Converted average daily traffic volumes for entire journey (vehicle)			Toll income (RMB'000)		
		2012	2011	Change ()	2012	2011	Change ()
Hening Expressway	100	<b>21,549</b>	21,179	1.75	<b>931,374</b>	924,602	0.73
New Tianchang Section of National Trunk 205	100	<b>5,108</b>	5,540	-7.80	<b>45,516</b>	49,332	-7.74
Gaojie Expressway	100	<b>9,300</b>	10,777	-13.70	<b>428,467</b>	508,104	-15.67
Xuanguang Expressway	55.47	<b>15,134</b>	15,116	0.12	<b>382,999</b>	421,203	-9.07
Lianhuo Expressway Anhui Section	100	<b>8,768</b>	8,243	6.37	<b>196,196</b>	188,229	4.23
Ninghuai Expressway Tianchang Section	100	<b>17,559</b>	17,750	-1.07	<b>75,449</b>	72,252	4.42
Guangci Expressway	55.47	<b>15,088</b>	14,892	1.32	<b>67,490</b>	68,550	-1.55

Items	Interests	Ratio of passenger vehicles to goods vehicles		Toll income per vehicle (RMB) change		
		2012	2011	2012	2011	Change ()
Hening Expressway	100	<b>68:32</b>	65:35	<b>18,991</b>	18,904	0.46
New Tianchang Section of National Trunk 205	100	<b>39:61</b>	37:63	<b>4,145</b>	4,505	-7.99
Gaojie Expressway	100	<b>54:46</b>	47:53	<b>10,643</b>	12,655	-15.90
Xuanguang Expressway	55.47	<b>69:31</b>	63:37	<b>12,458</b>	13,738	-9.31
Lianhuo Expressway Anhui Section	100	<b>60:40</b>	55:45	<b>9,927</b>	9,550	3.95
Ninghuai Expressway Tianchang Section	100	<b>74:26</b>	74:26	<b>14,725</b>	14,139	4.14
Guangci Expressway	55.47	<b>70:30</b>	62:37	<b>13,171</b>	13,415	-1.81

The toll income on the New Tianchang Section of National Trunk 205 dropped because the volume of goods vehicles largely decreased by 10.14 year-on-year.

The toll income on the Gaojie Expressway dropped because of the effect of the traffic diverging since the Liuwu Expressway was open to traffic. On the other hand, since 11 November 2012, Jiujiang Bridge in Jiangxi Province was needed to be examined and repaired. Influenced by it, the vehicles over 20 tons should be diverged and go by a roundabout route.

The toll income on the Xuanguang Expressway dropped because the volume of goods vehicles largely decreased by 17.23 year-on-year.

The factors which may affect the tollways' operation of the Company in 2012 contains:

### **Business environment**

The company's operational achievements are highly correlated with the economical environment of the country and the region. In year 2012, though the region and the country as a whole are undergoing stable economic growth, the growth rate was decreasing. Besides, the growth rate of GDP in the first three quarters was under constant dropping until in the fourth quarter. Under such conditions, the weakening of logistic needs have had a negative impact on the company's traffic volume. Within the reporting period, the Group's truck volume of various road sections dropped by 10.54 on year-on-year basis, while the passenger car volume increased by 6.27, most of which came from the increase of small-sized buses.

### **Policy environment**

Since 1 December 2010, the Green Channel Policy has been implemented in all road sections of the Group. Within the reporting period, the Group altogether has freed or reduced fees for 894.4 thousand green-channeled cars, increasing 19.25 compared with that of the same period in the last year, amounting to about RMB 319.58 million.

In 2012, the Chinese government introduced a policy where in important festivals or holidays, small-sized cars can run on high-speed road sections for free. For example in the eight-day national holiday in 2012, the Group exempted the fee of 1.3189 million small-sized cars, amounting to about RMB 66.04 million.

Besides, within the reporting period, the fees discounted for Anhui Transportation card holders amounted to about RMB 8.4 million, increasing significantly with that of the same period of last year.

### **Change of the Road Network Structure**

The operational achievements of toll roads are also influenced positively or negatively by changes or connections of the surrounding competitive or coordinative road networks and reorganization or expansion of parallel roads. The influence depends on the specific conditions of different projects.

### **Pawn Service Results Summary**

After consideration and approval by the meeting of the Sixth Board of Directors, the Company has invested jointly with Hefei Huatai Group Co., Ltd. ("Huatai Group") to establish the Hefei Wantong Pawnbroker Co., Ltd. ("Wantong Pawnbroker"). The Company injected a capital contribution of RMB150 million, representing 71.43 of registered capital, and Huatai Group injected a capital contribution of RMB 60 million, representing 28.57 of the registered capital.

Since Hefei Wantong Pawnbroker Co., Ltd opened for business on 18 July 2012, it took full advantages of state-owned shares holding, abundant capital, rich client resources, comprehensive talents and so on. The total amount of the pawn capital the Company delivered is RMB 306,000,000 and it achieved the operating income of RMB14330 thousand.



**1. Main business analysis**

During the reporting period, Guangci Company was included in the consolidated financial statements of the Company as it belonged to the corporate consolidation under the same control. In terms of the corporate accounting standards, the Group adjusted accordingly the financial report of the compared period.

**A. The analysis of the related altered items of income statement and cash flow statement**

Unit: 000' Monetary: RMB

Items	Current period	Last year	Flux()	Notes
Operating income	2,222,507	2,287,216	-2.83	
Operating cost	829,256	751,839	10.30	
Administrative expenses	78,853	65,620	20.17	
Finance costs	132,066	123,053	7.32	
Asset impairment loss	1,780	0	Not applicable	Due to the preparations of the decreased value of the distributed loans accrued by Wan Tong Pawnbroker Co.Ltd
Equity earnings	12,030	8,020	50	Because the basic earnings of Expressway Media largely increased compared with the same period of last year
Cash flows from operating activities	1,309,792	1,557,871	-15.92	
Cash flows from investing activities	-1,242,752	-1,284,552	-3.25	
Cash flows from financing activities	92,575	-488,446	-118.95	Because NingXuanhang Co.ltd and Wantong Pawnbroker Co., Ltd got investment from a few shareholders

**B. Revenue**

During the reporting period, the Group achieved the operating income of RMB2,222,507 thousand, representing a decrease of 2.83 over the corresponding period of the previous year. Among it, the toll income is main revenue source of the Group.

The concrete analysis about the revenue listed as follows:

Unit: 000' Monetary: RMB

Operating income	2012 percentage (%)		2011	percentage (%)	Change (%)
Expressway business	2,208,178	99.36	2,287,216	100.00	-3.46
Toll income	2,127,491	95.73	2,232,272	97.60	-4.69
Service area income	28,930	1.30	18,116	0.79	59.69
Other business income	51,757	2.33	36,828	1.61	40.54
Pawn business	14,329	0.64	0	0	100
Total	<u>2,222,507</u>	<u>100</u>	<u>2,287,216</u>	<u>100</u>	<u>-2.83</u>

Notes: The increase of the service area income is mainly due to the revenue RMB19.76 million according to the petrol station renting agreement signed with Anhui Expressway petrochemical Co., LTD; other business income contains mandatory administration income, road loss compensation income, renting income, rescue income and so on, and the increase is mainly because of the renting revenue got from the parts of the capital of the Wan Tong Industrial Park.

**C. Cost**

During the reporting period, the Group achieved the operating cost of RMB 829,256 thousand, representing an increase of 10.30 over the previous year. It is mainly due to the accrued depreciation and amortization since January 2012 of the reconstruction project of Tianchang Section of National Trunk 205, the increased remuneration of the Company's frontier workers and the increased roads repairing expenses.

## a. Cost analysis statement

In terms of industries

Industries	Cost structure items	Amount of current period	Percentage of amount of current period over the total cost (%)	Amount of the same period of the previous year	Percentage of amount of the same period of the previous year over the total cost (%)	Amount of current period compared with the same period over the last year
Tollways business	Depreciation and amortization	530,589	63.98	508,933	67.69	4.26
	Roads repairing expenses	70,400	8.49	49,830	6.63	41.28
	Other cost	228,267	27.53	193,076	25.68	18.23
	Total	829,256	100	751,839	100	10.30
Pawn business		0	0	0	0	0

In terms of products

Products	Cost structure items	Amount of current period	Percentage of amount of current period over the total cost (%)	Amount of the same period of the previous year	Percentage of amount of the same period of the previous year over the total cost (%)	Amount of current period compared with the same period over the last year
Tollways business cost	Depreciation and amortization	530,589	63.98	508,933	67.69	4.26
	Roads repairing expenses	70,400	8.49	49,830	6.63	41.28
	Other cost	228,267	27.53	193,076	25.68	18.23
	Total	829,256	100.00	751,839	100.00	10.30
Wan Tong Pawn		0	0	0	0	0
Total cost	Total	829,256	100.00	751,839	100.00	10.30

Notes: For the reason that the products which the pawn industry operated are quite special, the financing expenditure related to the monetary is accounted in the main business cost, while daily operation expenditure is accounted in administrative expenses and other expenditure items. In 2012, Wantong Pawnbroker Co., Ltd just started and did not get financing, thus no main business cost occurred.

b. Principal customers and suppliers information

Because the Group's main customers of the toll business were the users of the tollways and usually there were no big purchases related to the daily operation, there were no principal customers or suppliers needed to be further disclosed.

**D. Expenses**

Administrative expenses

In 2012, the Group's administrative expenses were RMB78,853 thousand, representing an increase of 20.17 from the same period in 2011(2011: RMB65,620 thousand). Such increase was mainly due to the increase of the accrued depreciation incurred by the use of Wantong Expressway Hi-tech Industrial Park, and the increase of the administrative staff members of the Group and Wantong Pawnbroker Co., Ltd during the reporting period.

Finance costs

During the Reporting Period, the Group's finance costs were RMB 132,066 thousand, representing an increase of 7.32 from the same period in 2011 (2011: RMB123,053 thousand) The main reason was that the Company obtained the income of interest on financial product in the same period of 2011 while there was no such income in 2012.

Income tax

This year, applicable income tax rates of the Company, the Company's subsidiaries and affiliates were 25.

In 2012, income tax expenses of the Group were RMB 277,028 thousand, representing a decrease of 13.10 from the corresponding period in 2011. That was mainly caused by the decreased income.

**E. Cash flows**

During the Reporting Period, the Group's net cash inflows from operating activities were RMB1,309,792 thousand, representing a decrease of 15.92 compared with that of the corresponding period last year, mainly because that the toll revenue decreased and the tax expenses paid during the Reporting Period increased compared with the same period of last year.

During the Reporting Period, the Group's net cash outflows from investing activities were RMB-1,242,752 thousand, because the investment in Guangci Company and the construction of Ningxuanhang Expressway increased compared with the same period of last year.

In 2012, the Group's net cash outflows from financing activities were RMB 92,575 thousand, mainly due to the investment on Ningxuanhang Expressway and Wantong Pawnbroker got from non-controlling shareholders.

In 2012, the Group's bank loans were RMB 165,300 thousand. At the end of the reporting period, the balance of bank loans were RMB 575,350 thousand, of which RMB 65,300 thousand was short-term loan balance with interest rates ranging between 5.70 and 6.56 of a term of less than 12 months; RMB 510,050 thousand was long-term loan balance that was a floating rate loan borrowed from a bank for the construction of Ningxuanhang Expressway with a weighted average interest rate of 6.305 per annum. The principal will be repaid between 2018 and 2025.

The Group was awarded with good credit ratings. As in 2012, the total credit facilities granted during the year was RMB2, 725 million, and the facilities not yet utilized were RMB2,149.65 million.

## 2. Analysis of principal business in terms of industries, products and areas

### a. Principal business in terms of industries and products

Name of roads	Operating income (RMB'000)	Operating costs (RMB'000)	Operating profit rate (%)	Change in operating income (%)	Change in operating costs (%)	Change in Operating profit rate (%)
<i>In terms of industries</i>						
Expressway operations	2,156,421	796,911	63.04	-4.18	9.56	A decrease of 4.63 percent point
Pawn business	14,328	0	100	NA	NA	NA
<i>In terms of products</i>						
Hening Expressway	946,776	326,783	65.48	1.23	7.11	A decrease of 1.89 percent point
New Tianchang Section of National Trunk 205	45,516	34,271	24.7	-7.74	47.74	A decrease of 28.27 percent point
Gaojie Expressway	437,900	151,331	65.44	-14.66	8.47	A decrease of 7.37 percent point
Xuanguang Expressway	382,999	132,310	65.45	-9.07	6.84	A decrease of 5.14 percent point
Lianhuo Expressway Anhui Section	198,181	100,069	49.51	4.67	23.12	A decrease of 7.57 percent point
Ninghuai Expressway Tianchang Section	77,559	32,574	58	5.45	6.06	A decrease of 0.24 percent point
Guangci Expressway	67,490	19,573	71	-1.55	-17.45	An increase of 5.59 percent point
Wantong Pawnbroker Company	14,328	0	100	NA	NA	NA
Total	2,170,749	796,911	63.29	-3.54	9.56	A decrease of 4.39 percent point

**B. Principal business in terms of areas**

Unit: RMB'000

Area	Operating revenue	Change in Operating revenue rate (%)
Anhui Province	2,170,749	-3.54

**3. Analysis of assets and liabilities****A. Analyzed statement of assets and liabilities**

Items	Amount at the end of current period	Percentage of amount at the end of current period over the total assets (%)	Amount at the end of the last period	Percentage of amount at the end of the last period over the total assets (%)	Change of the end of current period over the end of the last period (%)	Notes
Cash and cash equivalents	762,838	6.73	603,223	5.77	26.46	
Advanced payment	0	0.00	606	0.01	-100.00	Advanced accounts of the current period of Xuanguang Company were withdrawn
Dividend receivable	0	0.00	10,298	0.10	-100.00	The Company received the dividend accounts distributed at the previous year by Expressway Media
Other receivable	246,605	2.18	173,796	1.66	41.89	The increase of other receivables was mainly due to 0.172 billion undistributed loans of the subsidiary company-Wan Tong Pawnbroker
Inventory	3,554	0.03	3,413	0.03	4.13	
Long-term equity investment	556,316	4.91	329,285	3.15	68.95	The increase of it was mainly because the Company invested RMB 0.2 billion to establish Xin'an Financial and invested 15 million to establish Wan Tong MicroCredit
Invested real estate	326,104	2.88	206,873	1.98	57.63	The increase of it is mainly because parts of the external renting office buildings in the Company's high-tech Park were accounted in invested real estate

Items	Amount at the end of current period	Percentage of amount at the end of current period over the total assets (%)	Amount at the end of the last period	Percentage of amount at the end of the last period over the total assets (%)	Change of the end of current period over the end of the last period (%)	Notes
Fixed assets	629,192	5.55	771,009	7.37	-18.39	
Intangible assets	8,726,379	76.99	8,300,815	79.38	5.13	
Project under construction	46,152	0.41	21,334	0.20	116.33	The increase of it was mainly due to the reconstruction of Electro-mechanical system, Wuzhuang apartments and so on
Short-term borrowings	65,300	0.58	40,000	0.38	63.25	The increase of it was mainly because the Company got RMB65.3million bank loans and repaid RMB40 million loans on time
Advanced accounts	2,850	0.03	4,650	0.04	-38.71	Mainly because the Group made advanced service area renting revenue write-downs.
Tax payable	85,052	0.75	156,615	1.50	-45.69	The decrease of it was mainly because the unpayable accrued corporate income tax at the end of 2011 has been paid in 2012.

#### 4. Investment Analysis

##### A. External equity investment of the Company

Unit: RMB'000

The Company's equity investment amount during the reporting period	215,000
Increase/decrease of the Company's equity investment amount during the reporting period	-85,000
Equity investment amount of the corresponding period last year	300,000
The ratio of the increase/decrease of the Company's equity investment amount during the reporting period()	-28.33



The condition of invested companies during the reporting period

Name	Main business activities	The percentage of equity of invested company (%)
Xin'an financial	Financial investment, Equity investment, Management consulting	16.67
Wantong MicroCredit	Lends small sums of money, Small business management consulting, Financial advisory	10

For more details about the establishment of the companies, please refer to "Major Events" in 2012 annual report.

The condition of holding equity of un-listed financial companies

During the reporting period, the company had no condition of holding equity of un-listed financial companies.

***B. The investment of the finance in trust and its derivatives of Non-Financial companies***

a. Finance in trust

The company had no condition of items of finance in trust in 2012.

b. Loans in trust

The company had no condition of items of loans in trust in 2012.

***C. Investment of fund-raising***

During the reporting period, the Company did not have the condition of fund-raising or the previous raising fund used in the current period.

**D. Analysis of main subsidiaries and joint stock companies**

Unit: RMB'000

Company	Equity capital the Group possesses	Registered capital	31 December 2012		2012		Main business
			Total assets	Net assets	Operating income	Net profit	
Xuanguang Company	55.47	111,760	1,277,111	574,231	385,388	139,627	The construction, management and operation of Xuanguang Expressway
Ningxuanhang Company	51	300,000	2,325,827	692,187	0	0	Highway's construction, design, supervision, toll, maintenance, management, technology inquiry and related advertisement service
Guangci Company	55.47	56,800	319,856	205,456	69,290	28,475	The construction, management and operation of Guangci Expressway
Expressway Media	38	50,000	247,324	109,473	115,273	31,660	Design, make, publicate and act as agency of the domestic advertisement
Xin'an Financial	16.67	3,000,000	4,487,309	3,730,574	619,354	377,620	Financial investment, equity investment, management and inquiry
Wan Tong Pawnbroker	71.43	210,000	220,776	217,743	14,329	7,743	Personal property mortgage pawn service, proprietary right mortgage pawn service and real estate mortgage pawn service
Wan Tong MicroCredit	10	150,000	152,588	151,677	3,303	1,677	Distribute petty loans, management and inquiry of small enterprises and financial inquiry

Note 1: The companies above are all established in China.

Note 2: Ningxuanhang Company planned to engage in the investment and construction of the operation of Ningxuanhang Expressway (Anhui Section). On 31 December 2012, Ningxuanhang Company was still in the start-up period.

In order to enlarge the scale of the company's assets, the company purchase the 55.47 equity of Guangci Company during the reporting period.

The company is mainly engaged in the operation and management of toll roads and related business. In 2011, the implementation of related policy on toll roads, especially the special clean-up decision made by the five ministries on toll roads, has led to a deep thinking and discussion among the company's board of directors and managers on the company's prospect. They have proposed the developmental strategy of "focusing on the main business while moderately expanding". In combination with the own characteristics and financial features of the high-speed road industry, the company gradually invested in setting up Xin'an Financial, Wantong Pawn Company, Wantong MicroCredit company, which mainly operate non-banking financial business like pawn, guarantee or small-amount loan. Please refer to the item "importance issues" in the annual report for the details of setting up small companies.

#### E. Non fund-raising projects

(RMB: 000,000,000)

Name	Item amount	Project schedule	Investment amount this year	Accumulative total investment amount	Project earnings
Ningxuanhang Expressway Xuancheng-Ningguo Section	Route about 44 km, the total investment of the project is RMB2.678 billion	The project began to be constructed in September 2009.	6.41	16.81	Under construction
Ningxuanhang Expressway Ningguo-Qianqiu Section	Route about 45 km, the total investment of the project is RMB2.928 billion	The project began to be constructed in March 2011.	1.9	3.44	Under construction
Wantong Expressway Hi-tech Industrial Park	Engineering subject and the subsequent project budget is RMB 362 million.	The project has been completed at the end of 2011	0.24	3.78	The gained income of rental Income in is RMB11,944.8 million.
Reconstruction of Xuancheng eastwest interchange	The total estimate is RMB 0.119 billion	The project has been completed at the end of 2012	0.7	1.14	
Total	60.87		9.25	25.17	

Notes: The difference of the time of the engineering settlement leads to the little difference of the project investment schedule and the total investment.

## II. The Board's discussion and analysis of the Company's future development

### 1. The industry's competition pattern and development tendency

Now, the steady tendency of macro-economy is more and more obvious and The 18th National Congress of the Communist Party of China put forward the fighting objective of building a moderately prosperous society in an all-round way and also, it put forward the promotion of urbanization and industrialization, and the realization of multiplication of GDP and the income per capita of urban and rural residents. The new round of the quick development will push forward the demand of the expressway industry continual exuberant and the fundamentals of the Company's principal business won't have a big change.

In order to solve the contradictory between the inadequacy of the traffic supply capacity and the increased transportation requirement , the country definitely puts forward that, the capital security system of the sustainable development of the transportation construction should be enhanced and the rest sections of the country's expressway network, and also, the construction of the sections of "dead end highway" and the "bottleneck" should be accelerated. The completion of the network will be beneficial for the improvement of the passing efficiency and further boost the traffic demand. Although a few sections will be influenced by the diverging temporarily, it will have a positive impact on the whole operation. Anhui provincial government highly concentrates on the traffic development and in 2011, many policies supporting the expressway's construction came out, which would do good to the long-term development of the expressway industry, and also would be beneficial for the Group to get more support of policies.

Meanwhile, the company still has some difficulties in the development. The implementation of the policy of "Green Passage", "free toll on holidays" and other policies, and the obvious effect of the network diverging will have a direct shock on the operation benefits of the expressways of the Group. With the rapid development of the economic society, the publicities put more emphasis on the passing security, efficiency and comfortableness and also, bring out higher requirements about the management of the operation and service. The Company has continually tried to invest in financial areas during these two years and the further problems about how to strengthen the supervision, how to improve the management and control level and how to promote the steady development will be eager to be profoundly discussed.

**2. The Company's development strategy**

During the period of "The Twelfth Five-Year Guideline", the Company's development strategy is "strengthen the advantages of the principal business, promote the transformation of the structure and improve the level of the management".

**A. Strengthen the advantages of the principal business**

Accelerate the construction of the projects of expressways; actively try to get policy support and make new breakthroughs at the aspect of acquiring the good existing tollways assets, and inject new momentum for the development of the principal business; orderly arrange and high effectively implement the maintenance and reconstruction of the expressways, and continually enhanced and improved the operation quality and level of the road industry; actively discover the operation and management regulation of expressways, further enhance the operation and management system and improve the operation level and efficiency of the principal business.

**B. Promote the transformation of the structure**

Dependent on the operation advantages of the expressways as principal business, optimize and integrate resources, continually strengthen the operation and management, and continually improve the effectiveness and level; develop the pawn, micro credit, warranty, fund investment and other financial business, discover the establishment of the marketing operation and management system, strictly control the risk of the investment and operation, and cultivate the new profit increasing point for the Company.

**C. Improve the level of the management**

Further improve the corporate governance structure and, establish and form check-and-balance of responsibility and right, and also give consideration to the management system of both of the fairness and efficiency; further strengthen the construction of the internal control system, establish and improve the corporate basic management system, enhance each corporate business procedure, strengthen the supervision, assessment and accomplishment, further enhance the management and control system of the parent-subsidiary company, and strengthen the management and control of the joint stock companies and the shares holding subsidiary companies in order to ensure the shareholders' interests maximized.

### 3. Operation Plan

As the operation environment won't change a lot and the first phase project of Ning-Xuan-Hang highway is estimated to be open to traffic in 2013, the objective of the toll revenue the Group sets in 2013 will be RMB 2.095 billion (actually in 2012, it is RMB 2.127 billion). The labor cost, maintenance cost and administrative cost will be equal to that before, and the financial cost will get increased more than in 2012

#### Planned Measures

- A. To strengthen the toll management in order to make the toll revenue increased. To strengthen the application of the new technology and equipments, and the reconstruction and upgrading of the traditional equipments, and also to enhance the effect of the weight-based charge and the inspection of the "Green Passage". Meanwhile, to strengthen the toll business training and further improve the business level of the front-line toll staff members in order to avoid the omission in tolls.
- B. To forcefully develop the non-expressway business in order to increase the operation revenue of the non principal business to a large extent.
- C. With the implementation of the maintenance guidelines of "prevention in the first place and integrating prevention with control", to strengthen the prevented maintenance of the road surface in order to decrease the maintenance cost. To spread the new technology, new materials and new technics, and to organize the construction orderly and scientifically; to further decrease the cost of the construction and maintenance projects with the assurance of the security and quality.
- D. With the increased issue (including the oriented issue) of the short-term financing bonds, corporate bonds, separated-transaction convertible bond and other ways, to raise capital through many channels and constantly decrease the raising cost.

#### 4. The capital needed to maintain the present business and complete the invested projects under the construction

At the moment, Ning-Xuan-Hang highway is under the construction and the project is divided into three phases. The first phase, that is Xuancheng-Ningguo Section, is estimated to be completed at the end of 2013; The second phase, that is Ningguo-Qianqiu Section, is estimated to be completed in 2015; The third phase, that is Liqiao-Xuancheng Section, is about to start the construction in 2013.

##### Capital Expenditure Plan of 2013

Unit: RMB'0000

	Plan of 2013	Plan of 2014	Plan of 2015
Projects under constructed			
Ningxuanhang Expressway			
Xuancheng-Ningguo Section	27,508		
Ningxuanhang Expressway			
Ningguo-Qianqiu Section	60,385	100,000	66,776
New constructed projects			
Ningxuanhang Expressway			
Liqiao-Xuancheng Section	16,000	50,000	50,000
Reconstructed projects of the existing roads	5,841		
Total	109,734	150,000	116,776

#### 5. Possible Risks

##### The change of the macro-environment

The industry of tollways have sensibility on the change of the macro-environment. In 2013, the international economic situation is still complicated and changable while the fundamentals of stably rising economy is still not consolidated and will keep the tendency of steady progress. It is estimated that the increase of the traffic volume of the tollways items and the revenue can't be assured.

The measures to be taken:

The Company will keep an eye on the economic situation of Anhui Province and the areas nearby, put more emphasis on collecting and analyzing the statistics of the network volume and the change of car models' structures, and establish and strengthen the sense of network. To try best to lower the negative effect of the change of the economic environment on the corporate operation.

**The change of the toll policy**

The applicable scope of the “Green Passage Free Policy” has been expanded to all expressway projects since December 2010 and also, the scope of the free fresh agricultural products is expanded. Moreover, the free toll policy of small passenger vehicles on major holidays will be continually implemented in 2013, and will have a great impact on the Group’s economic benefits and management mode.

The measures to be taken:

The Group will strengthen the on-the-spot daily management, improve the toll procedures, enhance the measures of free pass on holidays and guarantee the traffic flow of the crossing. To further extend the depth and breadth of the inspection of the toll, make comprehensive use of many types of measures, plug up management loopholes, hit the escaped toll behavior, and guarantee all of the toll which should be received. To strengthen the application of the new technology and equipments, and the reconstruction and upgrading of the traditional equipments, and also strengthen the effect of the weight-based charge and the inspection.

**The change of the network**

The enhancement of the expressway’s network, the repairment of the roads nearby and the reconstruction of the projects will alter the traffic volume of the network, which will have a positive or negative impact on the traffic volume and revenue of the tollway projects of the Group.

The measures to be taken:

In 2013, the completion of the effect of Jiujiang Bridge’s restrictions can’t be assured, thus the Group will constantly pay attention to it and further observe, and evaluate the effect on the constructed projects.

In 2013, the first phase of Ningxuanhang expressway the Group invested will be open to traffic and the Company will make and organize implementation plans in advance. In the next period of time, a number of new constructed projects will be open to traffic and the Company will study in advance and reasonably estimate the effect of the related projects on the traffic volume of the Group. And also, with the strengthening of the maintenance, the on-the-spot toll management, constantly enhancement of the “smile service” and so on, it will improve the toll efficiency, traffic capacity, service level and the competitive ability.



**Financial Risk**

In 2013, the country will constantly implement the steady currency policy, and with the effect of the tight credit limit, the requirement on the supervision of the types and the use of the capital of loans will be more strict, and the credit financing will be more difficult. Meanwhile, there will be some issuing risks and difficulties in the direct financing of the capital markets.

The measures to be taken:

The corporate general meeting has approved for issuing 3-year non-public directional bond of RMB 2,000,000,000 for fund raising and the Company will issue the bond according to the market conditions. Moreover, the Company has actively explored the application of the external RMB loans in order to decrease the financial cost.

**Engineering Construction Risk**

The Company's current expressway construction project is Ningxuanhang Expressway and the first phase and second phase of the construction have been started and it can't be assured that when the third phase will be started. Due to the long period of engineering investment and the effect of inflation, the cost of materials, construction and drafts relocates may be increased, which will have an impact on the construction cost and the project income.

The measures to be taken:

The Company will actively communicate with the related department of the government and make good first-phase preparation of the project in order to earlier start the third phases construction; to further put emphasis on the decrease of the construction cost, forcefully renovate the supplies providing methods and promote the new technology, new materials and new technics in order to actually improve the cost management and control level. Meanwhile, to constantly strengthen the security and quality management of the project.

**Financial Business Risks**

Based on the principal business, the Group has put forward the strategy of the cautious investment on the non-bank financial areas. The Group not only has jointed stocks to establish Xin'an Financial and Wan Tong MicroCredit, but also held shares to establish Wan Tong Pawnbroker Co. Ltd. The Group will face a series of risks and challenges of the industry: policy risk, market risk, operation risk and so on.

The measures to be taken:

The Group will explore the regulation of the industry actively and profoundly, improve the management and control level, and also strengthen the risk prevention, further enhance the internal control system, regulate the procedures and be strict with the assessment in order to ensure the risks of all invested projects controllable and all of them develop healthily and stably.

### III. The profit appropriation plan or transfers of share capital from capital reserves plan

#### 1. The formulation, implementation and adjustment of the cash dividend and distribution policy

Since entering the market, the company has been always insisting on rendering returns to shareholders and has been constantly distributing cash dividends for 17 years. In order to establish a long-term cash dividends distributing system, the company has defined it in Article 220 in the Articles of Association: "The profit distributed in cash by the Company accumulated in 3 consecutive years shall not be less than 30 of the annual average distributable profit realised in the most recent 3 years, in order to ensure the continuity and stability of the profit distribution policy. The Company can declare interim cash dividend."

According to the regulation related to improving the work of cash dividends distribution in "Concerning further implementing the related matters of cash dividends distribution of listed companies", the Twelfth Meeting of the Sixth board was held on July 2012, which passed the motion concerning the amendment of the Articles of Association so that the cash dividends distribution policy could be further improved and the decision-making system and procedure of it could be regulated. The amendment of the "Articles of Association" would be ready for approval on the Extraordinary General Meeting held on 30 August, 2012.

The decision-making procedures and systems for the profit distribution after amendment mainly include: when the board makes the profit distribution plan, they should pay attention to the reasonable return for the investors and the Sustainable development of the company, Comprehensive analysis of the operation and development of the Company, the shareholders' desires, the social cost of capital, external financial environment and other factors. The Company's profit distribution plan was drawn up by the Company Secretary and the financial officers, submitted to the Board of Directors for consideration by the agreement of more than two-thirds of the independent non-executive directors. The Board of directors will proceed the full discussion of the rationality of the profit distribution plan, submitted to the general meeting for approval.

After the convening of the board of directors, the company should take a variety of methods to actively communicate with minority shareholders and listen to their advices. When the general meeting considers the cash dividends distribution plan, they should reply to the concern of minority shareholders as soon as possible.

According to the company's own operating condition, the need of investments and long-term development, or because of the significant changes of the external operating environment, which requires the adjustment of the cash dividends distribution plan, the adjusted profit distribution policies should be based on the protection of shareholders' equity as the starting point, and must not violate the laws, regulations and regulatory requirements.

The reason why the profit distribution plan should be adjusted needs to be concretely illustrated and discussed and the plan should be approved by more than two-thirds of the independent non-executive directors, passed by the Board of Directors and then delivered to the general meeting for approval.

When the general meeting considers the adjustment of the profit distribution plan, the company provides the network voting platform, passed by 2/3 of the shareholders who attend the general meeting.

The 2011 profit appropriation plan of the Company has been accomplished on 20 July 2012.

**2. The profit appropriation plan or transfers of share capital from capital reserves plan during those three years (including the reporting period)**

Unit: RMB' 000

Distributed year	Basic earnings per ten shares (including tax)	Amount of cash dividend (including tax)	Net profit attributable to shareholders in consolidated financial statements of the distributed years (restated)	The rate of the net profit attributable to shareholders in consolidated financial statements
2012	2.0	331,722.00	761,000.77	43.59
2011	2.1	348,308.10	868,325.19	40.11
2010	2.1	348,308.10	799,709.27	43.55

#### IV. The fulfillment of the social responsibility

The Company faithfully fulfills the social responsibility. During the reporting period, the Company did not have major environmental protection or other major social security problems. For more details, please see the “social responsibility report”. During the reporting period, the donation of the Group is RMB 100 000 (2011: RMB 100 000).

#### V. The names of the directors during the reporting period

Names	Independent directors or not	Notes
Zhou Renqiang	no	
Tu Xiaobei	no	
Li Junjie	no	
Li Jiezhi	no	
Liu Xianfu	no	
Meng Jie	no	
Hu Bing	yes	
Yang Mianzhi	yes	
Du Chengzhi	yes	Resigned on 30 August 2012
Cui Yunfei	yes	Appointed on 30 August 2012

### 1. Capital flow, financial resources and capital structure

In 2012, the Group's bank loans were RMB 165,300 thousand. At the end of the reporting period, the balance of bank loans were RMB 575,000 thousand, of which RMB 65,300 thousand was short-term loan balance with interest rates ranging between 5.70% and 6.56% of a term of less than 12 months; RMB 34,000 thousand was a long-term loan balance due within one year; RMB 476,000 thousand was long-term loan balance, among which of 407,900 thousand was a floating rate loan borrowed from a bank for the construction of Ningxuanhang Expressway with a weighted average interest rate of 6.305% per annum. The principal will be repaid between 2018 and 2025. RMB 68,100 thousand bank loans was got by the mortgage of Guangci Expressway's charging rights. The interests will be paid once every quarter. The principal will be repaid between 2013 and 2015.

The rate of liability (long-term loan balance/net assets value) is 37.09%.

### 2. Capital Charge and Contingent Liabilities

On 31 December 2012, no cash or collateral were used for the short-term bank loans and contingent liabilities.

### 3. Major investment , acquisition and sales

Except for the contents Section VII disclosed, the Group did not have major investment or its subsidiaries' and associated corporations' and affiliates' acquisitions and sales.

### 4. Risks of currency and interest rate

Because the unit of the revenue and expense of the Group is RMB, the major risks of currency of the operation activities can't be estimated.

The details of the financial risks and management is loaded in Accounting Notes 3 according to the HK accounting standards.

### 5. Staff Members

The Group's staff members (including the number, remuneration and its policy, and details of training) have been written in Section IX.

### I. Material litigation, Arbitration and widespread media enquiry

The Company was not involved in any material litigation or arbitration or widespread media enquiry during the reporting period.

### II. Occupation of funds and Progress of payoff debt

There was not involved in any occupation of funds during the reporting period.

### III. Bankruptcy Reorganization

There was not involved in any bankruptcy reorganization during the reporting period.

### IV. Assets Trading and Business Combination

#### Item Overview and Type

#### Query Indexes

Acquisition of 55.47% equity interest  
in Guangci Company

22 February 2012 *Announcements of  
Connected Transaction*

The Capital Increase and Share  
Expansion of Ningxuanhang Company

21 August 2012 *Acquisition relating to the  
Capital Increase and Share Expansion  
of Ningxuanhang Company*

On 21 February 2012, the Company entered into “Asset Transfer Agreements” with Anhui Expressway Group and Xuancheng Highway Management respectively for the acquisition of their respective shareholdings of 51% and 4.47% in Guangci Expressway. For more details, please refer to the Company’s *Connected Transaction Announcement* released on 22 February, 2012. The acquisition has been completed and the subsequent implementation will be of no changes. Since 1 January, 2012, Guangci Company has become the consolidated subsidiary of the Company.

On 20 August, 2012, *Ningxuanhang Company Increase Endowment Spread Agreement* was signed among the three parties including the Company, Anhui Expressway Holding Group Company Limited and Xuancheng Transportation and Construction For more details, please refer to *Announcement on Ningxuanhang Company Increase Endowment Spread* of the Company released on 21 August 2012. The program has been considered and approved on the 2012 Second Extraordinary General Meeting held on 12 October 2012 as well as been approved by the Anhui Province SASAC. The issue for increasing endowment spread has been completed and the subsequent implementation will be of no changes.

### V. Implementation of Share Incentive Scheme

The Company has not complemented the share incentive scheme.

## VI. Significant Connected Transactions

The Group's related party transactions and continuing connected transactions until 31 December 2012 have been disclosed in Note 41 in the comprehensive financial statements. The details of part of the above-mentioned transactions (also constituting related party transactions or continuing connected transactions under the *Hong Kong Stock Exchange Listing Rules*) are attached as follows.

### 1. Connected transactions in relation to daily operations

(RMB'000)

Connected parties	Contents of connected transactions	Pricing policies of connected transactions	Amounts of connected transactions	Percentage to the similar transactions	Payment method
Anhui Expressway Group	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	16,075	86.68	Transfer
Anlian Company	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	1,467	7.91	Transfer
Fuzhou Expressway	To provide management service of Expressway Networking Toll System	Made by negotiations through fair principles with reference to its costs	1,003	5.41	Transfer
Bangning Property	To receive management service	Made by negotiations through fair principles with reference to its costs	350	0.04	Transfer
Xiandai Transportation	To receive management service	Made by negotiations through fair principles with reference to its costs	2,850	0.3	Transfer
Expressway investment	To receive management service	Made by negotiations through fair principles with reference to its costs	1,262	0.13	Transfer

(RMB'000)

<b>Connected parties</b>	<b>Contents of connected transactions</b>	<b>Pricing policies of connected transactions</b>	<b>Amounts of connected transactions</b>	<b>Percentage to the similar transactions</b>	<b>Payment method</b>
Bangning Property	To receive property management service	Made by negotiations through fair principles with reference to its costs	3,175	72.97	Transfer
Expressway Inspection Center	To receive supervisory service of project construction	Made by negotiations through fair principles with reference to its costs	109	0.01	Transfer
New tongji Company	To receive construction inspection service	Made by negotiations through fair principles with reference to its costs	63	0.01	Transfer
Expressway Project Supervision Company	To receive supervisory service of project construction	Made by negotiations through fair principles with reference to its costs	2,424	0.26	Transfer
Expressway Media	Accept advertising business	Made by negotiations through fair principles with reference to its costs	589	52.27	Transfer
Yida Company	To lease service areas of the Company	To recognize on a straight-line basis over the lease period	900	3.11	Transfer
Yida Company	To lease Wantong building in New and High-tech Park	To recognize on a straight-line basis over the lease period	1,358	11.37	Transfer
Xiandai Transportation	To lease Wantong building in New and High-tech Park	To recognize on a straight-line basis over the lease period	597	5	Transfer



<b>Connected parties</b>	<b>Contents of connected transactions</b>	<b>Pricing policies of connected transactions</b>	<b>Amounts of connected transactions</b>	<b>Percentage to the similar transactions</b>	<b>Payment method</b>
Expressway Petrochemical	To lease the room 304 in No. 1 apartment building in New and High-tech Park	To recognize on a straight-line basis over the lease period	350	2.93	Transfer
Expressway Petrochemical	To lease the gas station within the Company	To recognize on a straight-line basis over the lease period	19,762	68.31	Transfer
Anhui Expressway Group	To lease Wantong building in New and High-tech Park	To recognize on a straight-line basis over the lease period	2,246	18.8	Transfer
The Construction Headquarters of High-grade highways	To lease Wantong building in New and High-tech Park	To recognize on a straight-line basis over the lease period	1,907	15.96	Transfer
Expressway Media	To lease Wantong building in New and High-tech Park	To recognize on a straight-line basis over the lease period	853	7.14	Transfer
Anlian Company	To lease Wantong building in New and High-tech Park	To recognize on a straight-line basis over the lease period	505	4.23	Transfer
Wantong MicroCredit	To lease Wantong building in New and High-tech Park	To recognize on a straight-line basis over the lease period	58	0.49	Transfer
Remuneration of key administrators			3,853		Transfer
Total			61,757		

## 2. Related debtor and creditor account

(RMB'000)

Related parties	Connected relation	The Company provides capital to related parties			Related parties provide capital to the Company		
		Initial Balance	Amount incurred	closing Balance	Initial Balance	Amount incurred	closing Balance
AEHC	Controlling shareholder	0	0	0	12,119	327,881	340,000
Xuancheng Transportation and investment	Other connected persons	0	0	0	545,416	0	545,416
Total		0	0	0	557,535	327,881	885,416

Money for the amount supplied by the Company to the control shareholders and its subsidiary(RMB)

0

Money for the remaining balance supplied by the Company to the control shareholders and its subsidiary(RMB)

0

The forming reason for connected credit and debt      The joint investment of The Group and Xuancheng Transportation and investment exceeding Included long-term payables of registered capital of subsidiaries. The amounts had no guarantee, bore no interest, no accruals and no fixed repayment deadline.

## 3. Connected Transaction Items about transaction in assets

Please read This section For Details about Items of Acquisition of 55.47% equity interest in Guangci Expressway and The Capital Increase and Share Expansion of Ningxuanhang Company.

**4. Confirmation by the independent non-executive directors regarding connected transaction**

The independent non-executive directors of the Company have reviewed the above connected transactions and confirmed that:

- a. The transactions were carried out in the normal and usual course of business of the Company;
- b. The transactions were carried out on normal commercial terms (as compared with transactions of similar nature carried out by the similar entities in the PRC) on terms that are fair and reasonable so far as the shareholders of the Company are concerned; and
- c. The transactions were carried out in accordance with the terms of agreement governing such transactions.

The Company has confirmed that the above connected transactions have been disclosed according to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited.

**VII. Material contracts and Their Implementation****1. Material custody, subcontracting and leasing items**

During the reporting period, the Company was not involved in any material custody, subcontracting and leasing.

**2. Material guarantee**

During the reporting period, the Company provided a guarantee of RMB500 million for the Company's subsidiary Ningxuanhang Company, which was approved at the 18th meeting of the 5th Board, held on 18 August 2010.

(RMB'000,000,000)

**The Company provided a guarantee for the Company's subsidiaries**

Amount of guarantee for the Company's subsidiaries during the reporting period	0
Total amount of guarantee for the Company's subsidiaries at the end of the reporting period	1.81
<b>Total guarantee of the Company (including guarantee for the Company's subsidiaries)</b>	
Total guarantee	1.81
The percentage of total guarantee to the net assets of the Company	2.77%

**3. Other Material Contracts**

During the reporting period, the Company did not entered into any material contracts.

### VIII. Implementation of Undertakings

- (1) The commitments for listed companies, shareholders holding 5% or more, the controlling shareholders and actual controllers during the reporting period or lasting until the reporting period.

Background of Commitment	Type of commitment	Commitment party	Content of commitment	Time and term of commitment	Whether there is the time limit for performance or not	Whether strictly comply in a timely manner or not
Commitment Related to the share reform	Other	Anhui Expressway Holding Group Company Limited	Continue to support the company's future acquisition of the good road assets owned by the Anhui Expressway Holding Group Company Limited and focus on the protection of shareholders' interests as always.	13 February 2006, long-term effective	No	Yes
	Other	Anhui Expressway Holding Group Company Limited, China merchants Huajian Highway Investement Co.,Ltd	After the completion of the split-equity reforming, the Board of Directors of the company shall be suggested to develop a long-term incentive plan with equity incentive structure included. In accordance with the relevant provisions of the state, the Board of Directors of the company shall implement it directly or submit it to the General Meeting of Shareholders of the company. After their consideration and approval, the long-term incentive plan shall be implemented.	13 February 2006, long-term effective	No	Yes

Background of Commitment	Type of commitment	Commitment party	Content of commitment	Time and term of commitment	Whether there is the time limit for performance or not	Whether strictly comply in a timely manner or not
Commitment Related to IPO	Solve the competition	Anhui Expressway Holding Group Company Limited	Promise not to participate in any of the company's from time to time actual businesses or other business activities which may constitute direct or indirect competition to the Company.	12 October 1996, long-term effective	No	Yes
Other Commitment	Other	Anhui Expressway Holding Group Company Limited	Commitment to continue to increase the holdings of the company's shares in the secondary market in your own name during the next 12 months and the cumulative shareholding percentage should be no more than 2% of the total shares (including the increased holdings of shares of this time) issued by the company. It is not allowed to reduce the holdings of shares during the increasing shareholding period and the statutory period.	Term of Overweight: 8 October 2012 to 7 October 2013; Term of Underweight: there is prohibitive in term of Overweight or six months after Completing overweight.	Yes	Yes

## IX. Appointment and Dismissal of Accounting Firm

(RMB 0'000)

Whether to change to hire a accounting firm or not	No
The name of PRC Accountant:	<b>Current Employment</b> PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd
Compensation of Domestic accounting firm	120
Term of audit of Domestic accounting firm	11
The name of Hong Kong Accountant:	PricewaterhouseCoopers Certified Public Accountants
Compensation of outside accounting firm	60
Term of audit of outside accounting firm	11

	Name	Compensation
Internal Controlling to auditing and accounting firm	PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd	35

The audit committee of the Company is responsible for reviewing the appointment, resignation and removal of the auditors as well as assessing their professional qualities for providing services, and submitting suggestions to the Board of Directors. Matters relating to the appointment and removal of auditors and the determination of audit fees as well should be submitted by the Board of Directors to the General Meeting of Shareholders for consideration and approval or authorization.

PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants were approved to be appointed as the PRC auditors and Hong Kong auditors for 2012 respectively at the 2011 Annual General Meeting. As at 2012, they have provided services to the Company for 11 years and changed CPA in 2006, 2011 and 2012.

## X. Punishment by Regulatory Authorities

During the reporting period, the Company, Directors, Supervisors, Senior Management, Shareholders who holding of shares more than 5% and the Real Controller of the Company have not been involved in any punishment by regulatory authorities.

## XI. Analysis on Other Major Events

### American depository receipt ( 'ADR' ) program

On 11 June 2009, the Company set up an American depository receipt ( 'ADR' ) program with Bank of New York Mellon (as the depository bank). The number of ADR registered by the Company under the ADR program is 50,000 thousand. Each ADR represents ten ordinary H shares traded on HKEx. The Company does not issue new shares because of its American Depository Receipt program. American Depository Receipt in American Depository Receipt program is just traded in American OTC market and will not be listed on any stock exchange in the U.S.

### Apply to issue RMB 2 billion non-public directional bonds financing tools for three years for the company

In order to broaden the financing channels and to optimize the capital structure of the company, through the consideration and approval by the 2011 Annual General Meeting held on 25th May, 2012, the company has been authorized to apply to the NAFMII (National Association of Financial Market Institutional Investors) to issue non-public directional bonds financing tools with one-time registration and the registered amount of RMB 2 billion, issuing in phases and for a period of 3 years. Generally and unconditionally, the Board of Directors of the company or any two directors shall be empowered to determine the specific issuing terms and conditions as well as the related matters on the basis of the company's needs and the market conditions. The validity period of the resolution is within 12 months since the approval of the Annual General Meeting.

### **Investment in establishing a small-scale credit company**

After discussion in the 21st meeting of the 5th Board held on 17 January 2011, the Company was planning to jointly establish a small-scale credit company with the Group, Anlian Company, Inspection and Scientific Research Center, Highway Engineering Supervision Company, Expressway Media and other units. The registered capital of the limited company is RMB 1.5 billion, including 45 million invested by the Group, accounting for 30% stake, and each 15 million by the Company and other six shareholders, each accounting for 10% stake. Apply for the establishment has been authorized by the government department concerned on 17 April 2012.

During the reporting period, the Company had paid the amount of investment RMB 15,000 thousand. Wantong small-scale credit company was officially opened in October 2012.

### **Investment in establishing Xin'an Financial Group Limited**

After discussion in the 27th meeting of the 5th Board on 7 July 2011, the Company intended to jointly establish Xin'an Financial Group Limited by shared with nine units including (Anhui) Nanxiangwanshang logistics service industry company limited ("Nanxiangwanshang" for short), Wuhu construction investment company limited . The registered capital of the company is RMB 3.0 billion. Its business scope includes: financial investment, equity investment and management consulting. The largest shareholder Nanxiangwanshang invested RMB 1.6 billion; accounting for 53.33% stake, Our company invested RMB 500 million, accounting for 16.67%, and is the second largest shareholder of the company.

During the reporting period, our company has paid the funds of RMB 200,000 thousand which are all in place.

### **Invested and Shared Huayuan Pawn Company**

Through the consideration and approval of the Eleventh Session of Sixth Board Meeting on 26 June, 2012, the company plans to invest 45 million RMB with shares of Huayuan Pawn Company, accounting for 18.75% of its total equity after its increase endowment spread. During the reporting period, the investment behavior has obtained the approval of the Anhui Province SASAC. Up to the issuing date of the report since its approval, the investment amounts have not been paid.

### **Ningxuanhang Company Increase Endowment Spread**

The three parties of the Company, Anhui Expressway Holding Group Company Limited and Xuancheng Transportation and Construction signed *Ningxuanhang Company Increase Endowment Spread Agreement* with the consideration and approval by the Extraordinary General Meeting held on 20 August, 2012. The program for increase endowment spread is as follows: by negotiation and with the reference to No.208 Assets Assessment Report, China Alliance Appraisal Commentary Report (2012), Anhui Expressway Group and the Company respectively agreed to inject cash capital which is 1.5586 times of the initial investment into Ningxuanhang Expressway, of which and on top of an initial capital contribution of RMB70,000,000, the Company will subscribe the registered capital of RMB83,000,000 by paying an actual capital of RMB129,361,559, thereby reducing the Company's shareholding from 70% to 51%. Xuancheng Transportation and Construction will maintain its registered capital of RMB30,000,000 and its shareholding will decrease from 30% to 10%. Anhui Expressway Group will subscribe the registered capital of RMB117,000,000 by paying an actual capital of RMB182,353,041, holding 39% of the shareholding. After Capital Injection, total registered capital of Ningxuanhang Expressway will increase from RMB100,000,000 to RMB300,000,000.

The program has been considered and approved on the 2012 Second Extraordinary General Meeting held on 12 October, 2012 as well as been approved by Anhui Province SASAC. The assessment results have been recorded and recognized. On December 2012, the issue on the increase endowment spread has been completed and Ningxuanhang Company has also completed the registration of the business modifications.

### **Controlling Shareholder Increase the Shareholdings of the Company**

From 8th October, 2012, Anhui Expressway Holding Group Company Limited began to increase the shareholdings of the Company through the buying ways of trading system of SSE. Up to the end of the reporting period, the Group has totally increased the holdings of the Company's 3,152,374 shares and directly holding 521,733,374 shares of the Company, accounting for about 31.46% of the total issued shares of the Company.

Anhui Expressway Holding Group Company Limited plans to continue to increase the holdings of the Company's shares in the secondary market in its own name during the next 12 months (counting from 8th October, 2012) and the cumulative shareholding percentage should be no more than 2% of the total shares (including the increased holdings of shares of this time) issued by the Company. The Group promises not to reduce the holdings of shares during the increasing shareholding period and the statutory period.



### **XII. Pre-emptive Right**

In accordance with the *Cooperation Articles* or Chinese laws, there is no subscription indicating that the company should give priorities to the existing shareholders to the purchase of new shares in proportion to the number of shares owned.

### **XIII. Tax Relief**

The Company isn't aware of any details about enjoying tax relief on the condition of holding the company's securities.

### **XIV. Reserves**

During the reporting period, the number and details of important changes in the reserves of the Company are listed in the note 19 to the accounts worked out in accordance with Hong Kong Financial Reporting Standards.

## I. CHANGE OF SHARE CAPITAL

### (I) Change of shares

#### 1. Change of shares

		Before this change		Increase and decrease of this change (+,-)				After this change		
		Number	Proportion (%)	New issue of shares	Sent shares	Accumulation fund turn	Other	Sub-total	Number	Proportion (%)
(Unit: share)										
I.	The conditions limited the sale of the shares									
1.	State-owned shares									
2.	State-owned legal person shares									
3.	Other Domestic shares									
Among:	Shareholding of Domestic									
	Non-state-owned corporate									
	Shareholding of Domestic natural person									
4.	Foreign shareholding									
Among:	Shareholding of Outside legal person									
	Shareholding of Outside natural person									
II.	The conditions of unlimited sale of the negotiable shares									
1.	RMB common shares	1,165,600,000	70.28					1,165,600,000	1,165,600,000	70.28
2.	Domestic listed foreign shares	0	0					0	0	0
3.	Outside listed foreign shares	493,010,000	29.72					493,010,000	493,010,000	29.72
4.	Other	0	0					0	0	0
III.	The total number of shares	1,658,610,000	100					1,658,610,000	1,658,610,000	100

During the reporting period, the total share capital and capital structure of the Company was not changed.

### (II) Change of restricted shares

During the reporting period, there were no restricted shares.

## II. Issue of share and listing

### (I) previous securities issuance nearly three years as of the end of the reporting period

(Unit: share, RMB)

Type of share and its derivative security	Date of Issuance	Issue Price	Number of Corporate Bonds	Date of Listing	Approved Number of Corporate Bonds listed	Closing Date
Convertible bonds, separably-traded convertible bond, type of corporate bonds						
Corporate Bonds	17-22 December 2009	RMB100 each	20,000,000	21 January 2010	20,000,000	16 December 2014

According to the approval document (Zheng Jian Xu Ke No. [2009] 1074) issued by China Securities Regulatory Commission (“CSRC”), the Company successfully issued Corporate Bonds of RMB2 billion on 17-22 December 2009 through the internet and other ways. The carrying amount of such Bond is RMB100 each. Such Corporate Bonds were issued at par with a term of 5 years, the interest of which is calculated at a fixed simple interest rate of 5% per annum and is payable annually. The principal of the Bond shall be redeemed in full on maturity. According to the approval document (Shang Zheng Zhai Zi No. [2010] 9) issued by the Shanghai Stock Exchange, such Corporate Bonds have been listed in the Shanghai Stock Exchange since 21 January 2010 (Stock Name: “09 Wangtongzhai”; Stock Code: 122039). Details relation to Corporate Bonds see “Issue of Corporate Bonds” in Section XII Major Events.

In April 2012, Zhongchengxin Securities Appraisal Company Limited made follow-up rating on the Company’s “09 Wangtongzhai”, and maintained the credit rating of AAA of Company’s Corporate Bonds, the main credit rating of AA+ and the rating outlook of stable.

In December 2012, the Company paid annual interests of RMB 50 (tax included) per bond (face value RMB1000) according to contract.

### (II) Changes in the total number of shares of the Company and the Shareholders structural changes and changes of the company’s assets and liabilities structure as well

During the reporting period, no changes in the total number of shares and the shares’ structure of the Company should be caused by bonus shares, allotment and other reasons.

### (III) Employees shares

The Company did not issue employees shares.

### (IV) Purchase, Sale and Redemption of the Company’s Shares

During the reporting period, the Company did not repurchase any of its listed shares, nor purchase or resold any listed shares of the Company.

**(V) Sufficiency of Public Float**

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

**III. SHAREHOLDERS AND REAL CONTROLLER****(I) Number of shareholders and the situation of shareholdings**

(Unit: share)

<b>Number of shareholders as at the end of the reporting period</b>	The total number of shareholders of the Company was 58,900, of which 58,809 were state-owned shareholders and 91 were H shareholders.	<b>The total number of shareholders at the fifth session before the date to the publication of the Annual Report</b>	The total number of shareholders of the Company was 57,391, of which 57,303 were state-owned shareholders and 88 were H shareholders
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**The Ten largest shareholders of the Company**

Name of shareholders	Nature of shareholders	Shareholding percentage	Total shareholding as at the end of the year	Change during the reporting period	Number of restricted shares	Number of shares pledged or locked-up
Anhui Expressway Holding Group Company Limited	State-owned shares	31.46%	521,733,374	+3,152,374	0	Nil
HKSCC NOMINEES LIMITED(agent)	Overseas shareholders	29.53%	489,863,898	-328,000	0	Not known
China Merchants Huajian Highway Investment Co., Ltd.	State-owned legal person shares	21.06%	349,345,689	+2,326,689	0	Nil
Templeton Investment Consultant Company Limited	Others	0.47%	7,733,171	0	0	Not known
Kuang Shunqing	the domestic natural person	0.25%	4,117,923	0	0	Not known
Zhang Fengtong	the domestic natural person	0.24%	4,059,638	+1,942,242	0	Not known
China Everbright Securities Company Limited	Others	0.23%	3,799,919	0	0	Not known
Shinko Asset Management Co., Ltd.-China's domestic stock funds NO.1	Others	0.16%	2,713,000	+2,713,000	0	Not known
China Industrial International Trust Limited-the project of new shares subscription funds trust of Fujian China Bank(Phase III)	Others	0.12%	2,021,613	+2,021,613	0	Not known
Zhang Janbin	the domestic natural person	0.11%	1,875,016	+1,875,016	0	Not known

**The ten largest shareholders of unrestricted circulating shares of the Company**

<b>Name of shareholders</b>	<b>Number of unrestricted circulating shares</b>	<b>Type and Number of shares</b>
Anhui Expressway Holding Group Company Limited	521,733,374	Renminbi-denominated ordinary shares
HKSCC NOMINEES LIMITED(agent)	489,863,898	Overseas listed foreign shares
China Merchants Huajian Highway Investment Co., Ltd.	349,345,689	Renminbi-denominated ordinary shares
Templeton Investment Consultant Company Limited	7,733,171	Renminbi-denominated ordinary shares
Kuang Shunqing	4,117,923	Renminbi-denominated ordinary shares
Zhang Fengtong	4,059,638	Renminbi-denominated ordinary shares
China Everbright Securities Company Limited	3,799,919	Renminbi-denominated ordinary shares
Shinko Asset Management Co., Ltd.-China's domestic stock funds NO.1	2,713,000	Renminbi-denominated ordinary shares
China Industrial International Trust Limited-the project of new shares subscription funds trust of Fujian China Bank(Phase III)	2,021,613	Renminbi-denominated ordinary shares
Zhang Janbin	1,875,016	Renminbi-denominated ordinary shares

Explanations of connected relationship between the above-mentioned shareholders and consistent action: There are no connected relationship between the State-owned Shareholders and the State-owned legal person Shareholders in the above chart. The connected relationship amongst other shareholders cannot be ascertained, nor be known whether they belong to the consistent action stipulate in "Provisions on Information disclosure Management of Shareholders' Shareholding changes of Listed Companies."

Note: According to the shareholders' register provided by HKSCC NOMINEES LIMITED, H Shares held by which represented the holding of many clients.

**(II) Persons who have interests of short positions disclosable under divisions 2 and 3 of Part XV of the Securities and Futures Ordinance**

As at 31 December 2012, so far is known to, or can be ascertained after reasonable enquiry by the Directors, the persons (except directors, supervisors and chief executives of the Company) who were, directly or indirectly, interested or had short position in the shares or underlying shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 336 of Part XV of the Securities of Futures Ordinance.

Names	At end of period (shares)	Increase/ Decrease during the reporting period	Type of shares	As a % of total share capital	Pledged or locked-up
Anhui Expressway Holding Group Company Limited	521,733,374 (L)	+3,152,374	State-owned shares	31.46%	No
China Merchants Huajian Highway Investment Co.,Ltd.	349,345,689 (L)	+2,326,689	State-owned legal person shares	21.06%	No

## 62 Section VIII Change of Share Capital and Shareholders

Name	As at the end of the period (shares)	Change during the reporting period	Type of shares	As a percentage of H shares	Pledged or locked-up
Commonwealth Bank of Australia	43,572,000(L)	—	H shares	8.84%	Not known
Colonial First State Group Ltd	33,358,000(L)	Not available	H shares	6.77%	Not known
Colonial Holding Company (No.2) Pty Limited	33,358,000(L)	Not available	H shares	6.77%	Not known
Colonial Holding Company Pty Ltd.	33,358,000(L)	Not available	H shares	6.77%	Not known
Colonial Ltd	33,358,000(L)	Not available	H shares	6.77%	Not known
First State Investment Managers (Asia) Ltd	33,358,000(L)	Not available	H shares	6.77%	Not known
First State Investments (Bermuda) Ltd	33,358,000(L)	Not available	H shares	6.77%	Not known
The Colonial Mutual Life Assurance Society Ltd	33,358,000(L)	Not available	H shares	6.77%	Not known
First State (Hong Kong) LLC	32,166,000(L)	Not available	H shares	6.52%	Not known
First State Investments (Hong Kong) Limited	30,712,000(L)	Not available	H shares	6.23%	Not known
First State Investments (Singapore)	30,608,000(L)	Not available	H shares	6.21%	Not known
First State Investments Holdings (Singapore) Limited	30,608,000(L)	Not available	H shares	6.21%	Not known
JPMorgan Chase & Co.	52,637,370 (L)	+13,449,700	H shares	10.68%	Not known
	430,000(S)	+430,000		0.09%	
	51,963,370	+12,831,700		10.54%	
	(lendable shares)				

Except for as disclosed in this Annual Report, The register maintained in accordance with Part XV, Section 336 of the *Securities and Futures Ordinance* on 31 December 2012 shows that the Company has never received any information about the interests or short positions in the shares and underlying shares of the Company on 31 December 2012.

#### IV. Information of the controlling shareholder and the real controller of the Company

##### (I) The controlling shareholder of the Company

###### 1. Legal representative

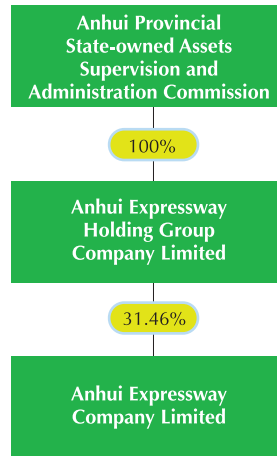
(Unit: RMB0,000')

<b>Name</b>	<b>Anhui Expressway Holding Group Company Limited</b>
Legal representative	Zhou Renqiang
Date of establishment	27 April 1993
Organization code	14894636-1
Registered capital	RMB500,344.87
Business scope	Planning, design, supervision, technical consultation and ancillary service of highway construction, Real Estate investment and motor vehicles fittings and storage.
Operating results	AEHC achieved the unaudited operating income of RMB12.665 billion in 2012; Total operating costs of RMB1,11.5645 billion; Total profit of RMB1.383 billion; Net profit attributable to the Parent Company of RMB0.217 billion
Financial Position	At the end of 2012, the unaudited total assets of AEHC is RMB 103.098 billion; Total liabilities of RMB 68.424 billion; Total shareholders' equity of RMB 34.764 billion; Shareholders' equity attributable to the Parent Company of RMB28.844 billion.
Cash flow and future development strategy	Net declines in the unaudited cash flows of AEHC in 2012 is RMB0.882 billion; Net cash inflows from operating activities is RMB4.892 billion, net cash flows from investment activities is RMB6.882 billion and net cash inflows from financial activities is RMB1.106 billion. Development strategy: Focused on roads, driven by 4 wheels and proceed with diversification to a proper extent", which means the development of four main sectors "expressways, real estate industry, road zone economy, finance and investments" and strives to build up a modern, diversified, multi-regional, large-scale conglomerate group with development across industries.
The condition of holdings and joint-stock of other domestic and outside listed companies during the reporting period	Nil



**(II) Information of the real controller of the controlling shareholder of the Company**

The controlling shareholder of the Company - Anhui Expressway Holding Group Company Limited is a state-owned enterprise and is under the control of Anhui provincial State-owned Assets Supervision and Administration Commission.

**V. Other legal person shareholders who hold more than 10% of the share capital**

(Unit: RMB0,000,000,000')

Name	Legal representative	Date of establishment	Organization code	Registered capital	Business scope
China Merchants Huajian Highway Investments Company Limited	Li Jianhong	18 December 1993	10171700-0	15	The comprehensive development and contracting construction of roads, wharves, harbors and sea-lanes; development, research and production of new technologies, new products and new materials for transportation infrastructure facilities and sales of products; sales of building materials, mechanical and electrical equipment, automobiles (except cars) and fittings, hardware and daily necessities; economic information consultation and personnel training.

## I. Changes in ownership and compensation

### (I) the Changes in ownership and compensation of Incumbent and Retired during the reporting period directors and supervisors

Name	Age	Position	Sex	Age	Term of office	Rewards drawn from the Company of the year (RMB ten thousand)	Rewards drawn from the share-holding companies of the year (RMB ten thousand)
Zhou Renqiang		Chairman	Male	58	2011.08.17—2014.08.16	81.19	0
Tu Xiaobei		Deputy Chairman	Male	59	2011.08.17—2014.08.16	57.79	0
Li Junjie		Director	Male	53	2011.08.17—2014.08.16	57.79	0
Li Jiezhong		Director	Male	50	2011.08.17—2014.08.16	57.79	0
Liu Xianfu		Non-executive Director	Male	49	2011.08.17—2014.08.16	0	—
Meng Jie		Non-executive Director	Male	36	2011.08.17—2014.08.16	0	—
Hu Bin		Independent Non-Executive Director	Male	42	2011.08.17—2014.08.16	8	0
Yang Mianzhi		Independent Non-Executive Director	Male	44	2011.08.17—2014.08.16	8	0
Cui Yunfei		Independent Non-Executive Director	Male	37	2012.08.30—2014.08.16	4.5	0
Wang Weisheng		Chairman of Supervisory Committee	Male	59	2011.08.17—2014.08.16	57.79	0
Yang Yicong		Supervisor	Male	57	2011.08.17—2014.08.16	38.29	0
Wang Wenjie		Supervisor	Male	29	2012.05.25—2014.08.16	0	—
Xie Xinyu		Deputy General Manager and Secretary to the Board	Male	46	2011.08.17—2014.08.16	37.71	0
Wang Changyin		Deputy General Manager	Male	50	2011.08.17—2014.08.16	37.71	0
Liang Bing		Finance Manager	Female	46	Since 2002.12	27.34	0
To Cheng Chi		Independent Non-Executive Director	Male	41	2011.08.17—2012.08.30	7.5	0
Dong Zhi		Supervisor	Male	33	2011.08.17—2012.05.25	0	—
Total						481.40	

The above persons did not hold, buy nor sell shares of the Company during the reporting period.

## II. Position of Incumbent and Retired during the reporting period directors and supervisors

### (I) Positions held by Directors, Supervisors and Senior Management in shareholders in 2012

Name	Name of shareholders	Position	Term of office	Expiration Date of the term
Zhou Renqiang	Anhui Expressway Holding Group Co., Ltd.	Chairman Secretary of the Party Committee	Since November 2009 Since June 2008	at yet
Wang Weisheng	Anhui Expressway Holding Group Co., Ltd.	Deputy Secretary of the Party Committee	Since August 2009	at yet
Tu Xiaobei	Anhui Expressway Holding Group Co., Ltd.	Deputy Chairman	Since May 2010	at yet
Li Junjie	Anhui Expressway Holding Group Co., Ltd.	Deputy General Manager	Since October 2009	at yet
Li Jiezhong	Anhui Expressway Holding Group Co., Ltd.	Deputy General Manager	Since November 2010	at yet
Liu Xianfu	China Merchants Huajian Highway Investment Co., Ltd.	Chief Financial Officer	Since April 2007	at yet
Meng Jie	China Merchants Huajian Highway Investment Co., Ltd.	General Manager of First Department of Shares Management	Since October 2009	at yet
Dong Zhi	China Merchants Huajian Highway Investment Co., Ltd.	First Department of Shares Management	Since April 2004	at yet
Wang Changyin	Anhui Expressway Holding Group Co., Ltd.	General Manager Assistant Head of Corporate Planning Division	Since June 2012 Since May 2010	at yet

### (II) Positions held by Directors, Supervisors and Senior Management in Other Units

Name	Other units in which they hold post	Position	Term of office
Tu Xiaobei	Anhui Ningxuanhang Expressway Investment Co., Ltd.	Chairman	Since 2008.4
	Anhui Provincial Highway Project Supervision Co., Ltd.	Chairman	Since 2005.11
Li Junjie	Anhui province Expressway real estate group	Chairman	Since 2012.6
	Anhui Anlian Expressway Co., Ltd.	Chairman	Since 2012.6
Li Jiezhong	Anhui Anlian Expressway Co., Ltd.	Chairman	2011.4—2012.6
	Anhui Fortunately International Logistics Co., Ltd.	Chairman	Since 2010.10
	Anhui Xinan Financial Group Co., Ltd.	Deputy Chairman	Since 2011.7
	Anhui Guoyuan Capital Co., Ltd.	Director	Since 2010.6
Liu Xianfu	Guangxi Wuzhou Transportation Co., Ltd.	Deputy Chairman	Since 2007.11
	Hubei Chutian Expressway Co., Ltd.	Deputy Chairman	Since 2010.6
Meng Jie	Guangxi Wuzhou Transportation Co., Ltd.	Director	Since 2005.5
	North China Expressway Co., Ltd.	Director	Since 2008.8
	Zhongyuan Expressway Co., Ltd.	Director	Since 2009.11
Yang Yicong	Xuanguang Expressway Co., Ltd.	Chairman of Supervisory Committee	Since 1998.7
	Anhui Expressway Media Co., Ltd.	Chairman of Supervisory Committee	Since 2008.8
	Anhui Guangci Expressway Co., Ltd.	Chairman of Supervisory Committee	Since 2005.2
	Anhui Ningxuanhang Expressway Investment Co., Ltd.	Convener of Supervisory Committee	Since 2008.4
	Anhui Civil Aviation Airport Group Co., Ltd.	Director	Since 2005.11
Anhui Anlian Expressway Co., Ltd.	Chairman of Supervisory Committee	Since 1998.7	

Name	Other units in which they hold post	Position	Term of office
Dong Zhi	Jilin Expressway Co., Ltd.	Supervisor	2010.2-2012.3
	Sichuan Expressway Co., Ltd.	Supervisor	Since 2009.10
Hu Bin	Institute of Finance and Banking, Chinese Academy of Social Sciences	Assistant to Head of Institute and Head of Laboratory	Since 2003.9
	Tongling Jingda Special Magnet Wire Co., Ltd	Independent Non-Executive Director	2006.12-2013.2
	Wuxi Guoliang Trust Co., Ltd. Shaanxi Baoguang Vacuum Electric Device Co., Ltd.	Independent Non-Executive Director Independent Non-Executive Director	Since 2011.5 Since 2011.11
Yang Mianzhi	College of Commerce, Anhui University		
	Anhui Sun Create Electronics Co., Ltd. Anhui Sun Create Electronics Co., Ltd.	Vice Principal Independent Director	Since 2000.3 Since 2010.3
To Cheng Chi	Bank of Communications, Hong Kong Branch	General Manager of Corporate Affairs	2005.1-2012.5
	Bank of Communications, Hong Kong Branch	CEO assistant	Since 2012.5
Cui Yunfei	The Hong Kong branch of American International Assurance Co.,Ltd.	Senior Manager	Since 2006.1
	Win & Win Financial Services Company	General manager	Since 2009.7
Xie Xinyu	Anhui Ningxuanhang Expressway Investment Co.,Ltd.	Director	Since 2008.4
	Anhui Xinan Financial Group Co., Ltd.	Director	Since 2011.7
Wang Changyin	Hefei Wantong Pawn Co., Ltd.	Chairman	Since 2012.6
	Anhui State Road Expressway Co., Ltd.	Deputy Chairman	Since 2011.8
	Xuanguang Expressway Co., Ltd.	Director	Since 2006.3
	Anhui Guangci Expressway Co., Ltd.	Director	Since 2012.2
Liang Bing	Anhui Ningxuanhang Expressway Investment Co., Ltd.	Director	Since 2012.12
		Chief Financial Officer	Since 2008.4
	Anhui Xinan Financial Group Co., Ltd.	Supervisor	Since 2011.7
	Hefei Wantong Pawn Co., Ltd.	Director	Since 2012.6

### III. Biography of Directors, Supervisors and Senior Management.

#### (I) Biography of Directors, Supervisors and Senior Management during the year

##### 1. Directors

###### *Executive Directors*

**Mr. Zhou Ren Qiang**, born in 1955, Senior Economist and Senior Political Engineer. He was graduated from Anhui University majoring in Chinese Language & Literature in 1982 and subsequently obtained his Master degree in arts from Guangxi Normal University in 1984. Mr. Zhou had been the Monitor, the Head and the Assistant to Director of the Policy Inspection Bureau of the Policy Research Office of the Provincial Committee of Anhui Province, the Assistant to the Mayor of Tongling Municipal Government, the Deputy Director of the Municipal Office of the Provincial Committee of Anhui Province, the Deputy Secretary of the Provincial Committee of Anhui Province and the Director of the Policy Research Office of the Provincial Committee of Anhui Province. He is currently the Chairman and Secretary of the Party Committee of Anhui Expressway Holding Group Company Limited and a member of the Eighth Provincial Committee of the Communist Party of the PRC of Anhui Province. He was appointed as the new director of the Company on 26 March 2010 and elected as the Chairman of the Company.

**Mr. Tu Xiaobei**, born in 1954, Senior Engineer. Mr. Tu graduated from Hefei Industrial University in 1984. Mr. Tu has held various positions such as the head of the infrastructure division of Anhui Department of Communications, director of Anhui Expressway Administration Bureau and Anhui Expressway Holding Group Limited. Mr. Tu was appointed as a director of the first Board and the General Manager of the Company, he was elected as the deputy Chairman of the Company by the second, third, fourth and fifth Board. Mr. Tu is now the member of the Party Committee and deputy chairman of Anhui Expressway Holding Group Company Limited, the chairman of Anhui Ningxuanhang Expressway Investment Company Limited and Anhui Provincial Highway Project Supervision Company Limited.

**Mr. Li Junjie**, born in 1960, holder of Postgraduate Diploma. He has held positions as deputy director of Organization Department and director of Propaganda Department of Anhui Communist Youth League, deputy director of Operation Division of Anhui Expressway Holding Corporation and secretary of Party General Branch of Bengbu Administration Office, general manager of Anhui Xiandai Transportation Economic Technology Development Centre, general manager of Anhui Expressway Real Estate Company Limited, director of the Human Resources Division, member of the Communist Party Committee and deputy general manager of Anhui Expressway Holding Corporation, the chairman of Anhui Expressway Media Company Limited, the deputy general manager and deputy managing director of the Company, etc. He is now a member of the Communist Party Committee and the deputy general manager of Anhui Expressway Holding Group Company Limited. He also concurrently the chairman of the board of directors of Anhui Anlian Expressway Company Limited and Anhui province Expressway real estate group.

**Mr. Li Jiezh**i, born in 1963, holder of Postgraduate Diploma and a Certified Public Accountant. He has held positions such as staff member, deputy staff member, principal staff member, deputy director and consultant of Anhui Provincial Audit Bureau. He was transferred to be head of the financial division of Anhui Expressway Holding Corporation in 2000. Currently, he is the deputy general manager of Anhui Expressway Holding Group Company Limited and concurrently the chairman of the board of directors of Anhui Fortunately International Logistics Co., Ltd. as well as the director of Anhui Xinan Financial Group Co., Ltd. and Anhui Guoyuan Capital Co.,Ltd.

*Non-Executive Directors*

**Mr. Liu Xianfu**, born in 1964, Certified Public Accountant. Mr. Liu graduated from Changsha Communications University in 1984. He has held various positions as director of Audit Bureau of the Transportation Department (Audit Department directly under the National Audit Office at the Audit Bureau of the Transportation Department), the manager of Planning and Financial Department of Huajian Transportation Economic Development Center, chief of Financial Department of China Merchants Group, chairman of the supervisory committee of Dongbei Expressway Company Limited, the supervisor and director of Sichuan Chengyu Expressway Company Limited, and the supervisor of Hubei Chutian Expressway Company Limited. He is now the chief financial officer of China Merchants Huajian Transportation Economic Development Center and serves concurrently as the deputy chairman of Guangxi Wuzhou Transportation Company Limited and Hubei Chutian Expressway Company Limited.

**Mr. Meng Jie**, born in 1977, holder of Master of Engineering, Master of Business Administration, senior engineer, Registered Consultation Engineer (Investment), graduated with the profession of bridges and tunnels from Hunan University in 2002. Since August 2002, he has held the positions as project manager, assistant to manager and deputy general manager of First Department of Shares Management of China Merchants Huajian Transportation Economic Development Center, as the supervisor of North China Expressway Company Limited and Guangxi Wuzhou Transportation Company Limited, and as director of Dongbei Expressway Company Limited. Mr. Meng now holds the post as general manager of the First Department of Shares Management of China Merchants Huajian Transportation Economic Development Center and serves concurrently as the director of North China Expressway Company Limited, Guangxi Wuzhou Transportation Company Limited and Henan Zhongyuan Expressway Company Limited.

*Independent Non-Executive Directors*

**Mr. Hu Bin**, born in 1971, Doctor of Laws, Doctor of Financial Studies and researcher. He is now assistant to the director of Financial Institute of the Chinese Social Sciences Academy, head of the Law and Finance Research Centre, head of the Financial Laws and Financial supervision Research Base, deputy head of Medium and Small Banks Research Base. His major public service positions include deputy secretary of the Chinese Social Sciences Doctors' Beijing Social Committee, special expert of the State Development Bank, independent director of Wuxi United Trust Company Limited, independent director of Tongling Jingda Special Magnet Wire Co., Ltd. and Shaanxi Baoguang Vacuum Electric Device Co., Ltd., and Honorary Researcher of Monash University.

**Mr. Yang Mianzhi**, born in 1969, Doctor of Management (Finance) at People's University of China. He is now the deputy head, Deputy Professor and Tutor of Masters of the Business Faculty of Anhui University. He was elected the National Accounting Army Leading Back-up personnel of the Finance Department, elected the back-up academic and technical leader of Anhui Province in 2010, and has concurrently acted as independent director of Anhui Sun Create Electronics Company, Ltd. and Hefei Orient Energy Efficiency Technology Co., Ltd.

**Mr. Cui Yunfei**, born in 1976, is a Master of Business Administration (International) of The University of Hong Kong and a permanent resident of Hong Kong. He has been working for the Hong Kong branch of American International Assurance Co.,Ltd. since 2006 and is now a senior manager. He has also been the general manager of Win & Win Financial Services Company since 2009.

**2. Supervisors**

**Mr. Wang Weisheng**, born in 1954, a senior political officer. He was graduated from Anhui Workers University majoring in Philosophy in 1979. Mr. Wang had been a monitor, first class monitor, deputy head and the head of the chief tribunal of the organisation division of the Provincial Committee of Anhui Province. He had also been a member of the Party Committee, deputy general manager and the Secretary of the Disciplinary Committee of Anhui Province Energy Group and was the director, the vice chairman of the board of directors and the chairman of the supervisory committee of Anhui Wenergy Company Limited. He is the deputy secretary of Party Committee and the secretary of the Disciplinary Committee of Anhui Expressway Holding Group Company Limited. He was appointed as the chairman of the supervisory committee of the Company on 26 March 2010.

**Mr. Yang Yicong**, born in 1956, a senior political officer, was graduated from Anhui Industrial Institute in 1982. He was a director of the political division of Anhui Vehicle Transportation Administration Bureau, a director of the political division and secretary of the Disciplinary Committee of the Anhui Expressway Transportation Administration Bureau. He has extensive experience in personnel management. Mr. Yang has been elected as a supervisor representing the employees since the second supervisory committee of the Company. He is concurrently the chairman of the supervisory committee of Xuanguang Expressway Company Limited, Xuancheng Guangci Expressway Company Limited, Anhui Expressway Media Limited and Anhui Anlian Expressway Company Limited. He is also the convener of the supervisory committee of Anhui Ningxuanhang Expressway Investment Limited and director of Anhui Civil Aviation Airport Group Co., Ltd.

**Mr. Wang Wenjie**, born in 1984, was graduated from AUT University, NZ in 2008 and obtained a bachelor's degree in finances and accounting. Mr. Wang carried out the accounting work at the accounting firms in New Zealand and currently served as project manager of equity management department I at the China Merchants Huajian Highway Investment Co., Ltd..

### 3. Other Senior Management

**Mr. Xie Xinyu**, born in 1967, an associated member of The Hong Kong Institute of Chartered Secretaries, deputy general manager, secretary to the board of directors and senior engineer of the Company. He was the deputy general manager and secretary to the board of directors of the Company between 1996 and 1999; deputy general managing director and secretary to the board of directors of the Company between 1999 and 2002; and has been the deputy general manager and secretary to the board of directors of the Company since August 2002. He is concurrently a director of Anhui Ningxuanhang Expressway Investment Company Limited and Anhui Xinan Financial Group Co., Ltd. Since 27 December 2012 he was in charge of the Company discharging general manager duties, instead and temporarily.

**Mr. Wang Changyin**, born in 1963, deputy general manager, senior engineer and registered supervision engineer. He had held positions in the Transportation Bureau of the Zhongyang County, Anhui and Hetong Road Administration Office of Anhui Expressway Holding Corporation, and was the managing director of Anhui Gaojie Expressway Company Limited. Since October 2004, Mr. Wang has been the deputy general manager of the Company, General Manager Assistant of Anhui Expressway Holding Group Company Limited, Head of Corporate Planning Division and concurrently the deputy chairman of Anhui State Road Expressway Company Limited and director of Xuanguang Expressway Company Limited, and the director of Xuancheng Guangci Expressway Company Limited.

**Ms. Liang Bing**, born in 1967, holder of Postgraduate Diploma, manager of the Finance Department and senior accountant of the Company. Ms. Liang joined the Company in 1996 and has been manager of the Finance Department of the Company since December 2002. She is also the chief financial officer of Anhui Ningxuanhang Expressway Investment Company Limited, supervisor of Anhui Xinan Financial Group Company Limited and director of Hefei Wantong Pawn Company Limited.



**(II) Retired Directors and Supervisors**

**Mr. To Cheng Chi**, born in 1972, Master of International Business Administration and a permanent resident of Hong Kong. He joined the Hong Kong Branch of the Bank of Communications and is now the general manager of the business management department of the bank.

**Mr. Dong Zhi**, born in 1980 and is a Master in Economics. He graduated from Capital University of Economics and Business in 2005. Mr. Dong held posts in the Beijing Engineering Department of Road & Bridge International Co., Ltd. and was a supervisor of Dongbei Expressway Company Limited. He now works in the First Department of Shares Management of China Merchants Huajian Transportation Economic Development Center and is a supervisor of Jilin Expressway Company Limited and Sichuan Chengyu Expressway Company Limited.

**IV. Compensation of directors, supervisors and Senior Managers**

Decision-making process of Compensation of directors, supervisors and Senior Managers	After the respective consideration of the board of directors and board of supervisors, it will be submitted to shareholders at a general meeting for approval.
Determination of the Basis of Compensation of directors, supervisors and Senior Managers	According to China's relevant policies and regulations consider the market and the company actual situation and then determine.
Status of payable for Compensation of directors, supervisors and Senior Managers	0
Total of Compensation of all directors, supervisors and Senior Managers at the end of the reporting period	RMB4,814 thousand

**V. Change of Directors, Supervisors and Senior Management of the Company**

Name	Position	Change	Reason
Dong Zhi	Supervisor	Retired	Job change
To Cheng Chi	Independent Non-Executive Directors	Retired	Requirements of the new position
Li Junjie	General manager	Retired	Reason for a job

The Fourth Meeting of the Sixth board was held on 27 March 2012, at which the application of the resignation of Company Supervisor Mr. Dong Zhi was approved and Mr. Wang Wenjie was nominated as the new Company Supervisor, who would be elected at the Annual General Meeting of 2011. The Annual General Meeting of Shareholders of 2011 was held on 25 May 2012, at which Wang Wenjie was elected as the new Company Supervisor. The term commences from 25 May 2012 to 16 August 2014.

The Twelfth Meeting of the Sixth board was held on 2 July 2012, at which the application of the resignation of Company Independent Non-Executive Director Mr. To Cheng Chi was approved and Mr. Cui Yunfei was nominated as the Company Independent Non-Executive Director candidate, who was elected at the extraordinary general meeting held on 30 August 2012.

The First Extraordinary General Meeting of Shareholders of 2012 was held on 30 August 2012, at which Cui Yunfei was elected as the new Company Independent Non-Executive Director. The term commences from 30 August 2012 to 16 August 2014.

The 15th meeting of the 6th Board of Directors held on 27 December 2012 approves that Mr. Li Junjie (the executive director and general manager of the Company) resigns from the position of the Company's general manager effective from 27 December 2012. After his resignation from the position of general manager, Mr. Li Junjie will continue to serve as a director of the Company. The board of directors decides that the Deputy General Manager, also the Company Secretary Mr. Xie Xinyu will be responsible for the work of the Company and serve as the general manager temporarily.

## VI. Staff of the parent company and the main subsidiaries

### (I) Staff

Number of serving staff of parent company	1,783
Number of serving staff of main subsidiary company	428
The total number of serving staff	2,211
Number of Retired Staff who parent company and main subsidiary company bear costs to	34

### Profession composition

Profession type	Number
production staff	1,534
technical staff	122
financial staff	49
Administration Staff	506
Total	2,211

### Education

Education type	Number
Postgraduate diploma	28
University diploma	274
College graduate	1,018
Secondary vocational diploma	392
Senior high school and below	499
Total	2,211

**(II) Remuneration policy**

Since 2012, the Company carried out the reform of the remuneration system with the introduction of broadband pay system to formulate remuneration sequences according to the different positions, making different classifications according to the characteristics of each sequence. By making close connections among the labor remuneration of employees, post value, accumulated contributions, work performance and many others, it has built multiple channels for career development of employees and pay promotion. Through the establishment of pay promotion standards, the enthusiasm of employees has been mobilized and the incentive effect on the implementation of the remuneration system has been ensured.

**Staff Insurance and Welfare Protecting**

The Company takes care of staff, protects the staff's legal interests and strictly complies with the State's social insurance policies. According to the relevant State's stipulation, the Company has arranged the old-age insurance, basic medical insurance, unemployment insurance, injury insurance and child-bearing insurance for the staff and paid the above insurance fee in full. The Company paid RMB20,320 thousands of various social insurance fee. At the same time, the Company has arranged the complement medical insurance and accident injury insurance for the staff.

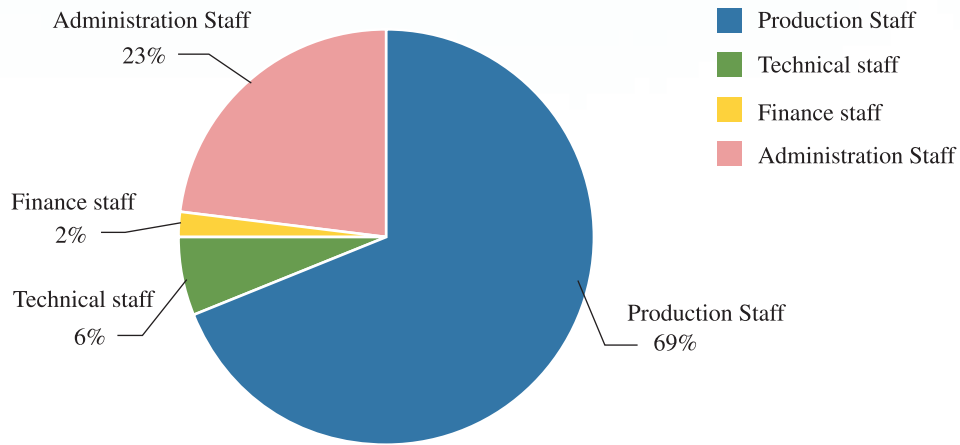
In 2012, the Company arranged RMB11,190 thousand of housing accumulation fund for staff.

In addition to the above social security plans, the Company established a multi-level social security system, which protects the benefits of staff and strengthens the cohesion, unity and competitiveness of the Company. In 2008, the Company had completed the establishment of enterprise annuity plan according to the actual situation of the Company and relevant requirements of the Enterprise Annuity Tentative Procedures. In 2012, the total enterprise annuity expenses were RMB2,340 thousand.

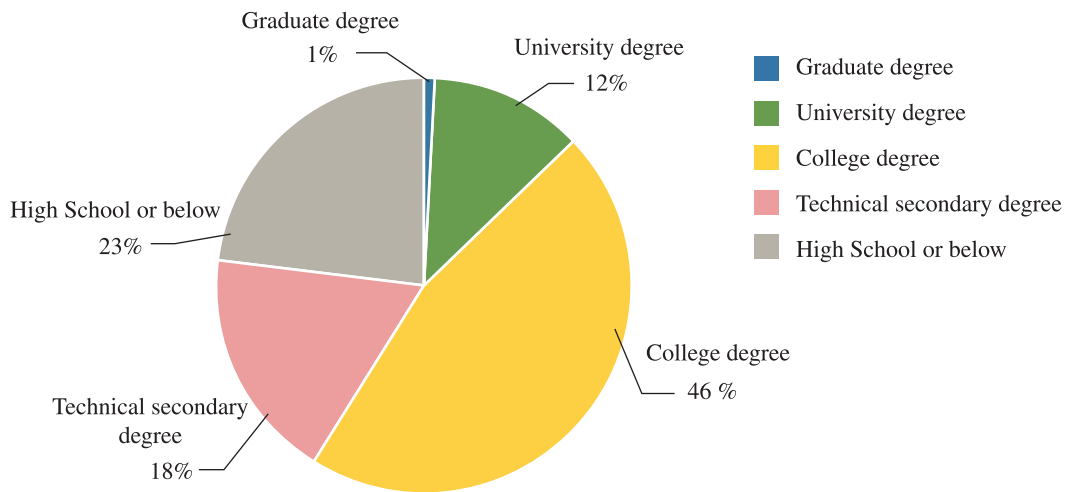
**(III) Training plan**

The company pays attention to staff training all the time. In the beginning of every year, the company formulate training plan in line with actual demand as the direction of current training work. In addition, the company establishes and improves various training regulations to promote the education and training work toward a new level. In the report period, the company and all departments organize various trainings related to comprehensive management, operation, and engineering technology. Meanwhile, based on traditional training mode, the company positively explores new training modes, training channels, introduces E-learning online learning system, and provides online learning platform by means of abundant online training resources and convenient training modes. Trainees include staffs of all levels including toll collectors and senior managers.

**(IV) The formation graph of Employees' specialty composition**



**(V) The statistical graph of Employees' Education**



## VII. Other information of directors, supervisors and senior management

### 1. Service contract of directors and supervisors

Each of the executive directors and supervisors has entered into a service contract with the Company for a term of three years starting from their respective dates of appointment. Terms of such contracts are identical in all material respects and are set out as follows:

- Each service contract was in effect from 17 August 2011 for a term of three years.
- For the three years commencing from 17 August 2011, the chairman shall receive an annual remuneration of RMB720,000. In addition, the chairman shall be entitled to a bonus of RMB60,000 upon completion of one year of service.
- For the three years commencing from 17 August 2011, other executive directors shall each receive an annual remuneration of RMB504,000. In addition, other executive directors shall each be entitled to a bonus of RMB42,000 upon completion of one year of service.
- For the three years commencing from 17 August 2011, each non-executive director shall not receive director's fee.
- For the three years commencing from 17 August 2011, the annual director's fee for each domestic independent non-executive director will be RMB80,000.
- For the three years commencing from 17 August 2011, the annual director's fee for each overseas independent non-executive director will be RMB120,000.

Non-executive directors and independent non-executive directors are not entitled to any bonus upon completion of one year of service nor required to enter into any service contracts with the Company.

- For the three years commencing from 17 August 2011, the chairman of the supervisory committee shall receive an annual remuneration of RMB504,000. In addition, the chairman of the supervisory committee shall be entitled to a bonus of RMB42,000 upon completion of one year of service.
- For the three years commencing from 17 August 2011, the worker supervisor shall receive an annual remuneration of RMB324,000. In addition, the worker supervisor shall be entitled to a bonus of RMB27,000 upon completion of one year of service.

For the three years commencing from 17 August 2011, other supervisors shall not be entitled to any supervisor's fee.

Save as disclosed above, no service contract which is terminable within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the directors or supervisors.

**2. Directors' and supervisors' interests in contracts**

During the reporting period, no director or supervisor was materially interested in any contract entered into by the Company, Anhui Expressway Group or any of its subsidiaries.

**3. Interests held by directors and supervisor in competitive business**

During the reporting period, according to the Listing Rules of the Stock Exchange of Hong Kong Limited, no director, supervisor or senior management was interested in any competitive business or potential competitive business.

**4. Model code for securities transactions by directors and supervisors**

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited as the code governing the transactions of securities by the Directors and Supervisors. After making specific enquiry to all Directors and Supervisors, it is confirmed by the Company that the Directors and Supervisors of the Company had complied with the relevant standard as provided in such code referred to above.

5. During the reporting period, the Group did not directly or indirectly provide loans or guarantee for loans for the directors, supervisors and senior management of the Company and controlling shareholders and their connected persons.

**6. Interests to be disclosed**

As at 31 December 2012, none of the Directors, Supervisors of the Company or their connected persons had or was deemed to have any interests or short positions in any shares, or underlying shares or debentures of the Company and any associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance), which were required to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the Securities and Futures Ordinance (including interests which he was taken or deemed to have under such provisions of the Securities and Futures Ordinance or which were required, pursuant to section 352 of the Securities and Futures Ordinance, to be entered in the register referred to therein or which were required to be disclosed herein pursuant to the Model Code for Securities Transactions by Directors of Listed Companies and the Takeovers Code.

## I. Corporate Governance and manage of insiders Registration

A well-established corporate governance is for meeting the basic requirements of regulatory authorities on listed companies and, more importantly, the inherent needs for the development of the Company. A scientific and standardized system, mutual supervisory regime and effective enforcement are essential to the healthy and sustainable development of the Company.

The Company is concurrently listed in Shanghai Stock Exchange and Hong Kong Stock Exchange and complies with relevant laws and regulations. In practicing corporate governance, the Company strictly complies with the Code of Corporate Governance for Listed Companies of CSRC and the Code of Corporate Governance Practices of Hong Kong Stock Exchange. During the reporting period, there were no differences between the actual conditions of the Company's corporate governance and the requirements of the CSRC's related laws and regulations. The Company had also fully adopted the respective code provisions set out in the Code on Corporate Governance Practices (1 Jan 2012 to 31 Mar 2012) and Code on Corporate Governance (1 Apr 2012 to 31 Dec 2012) of Appendix 14 of the Listing Rules of the Hong Kong Stock Exchange.

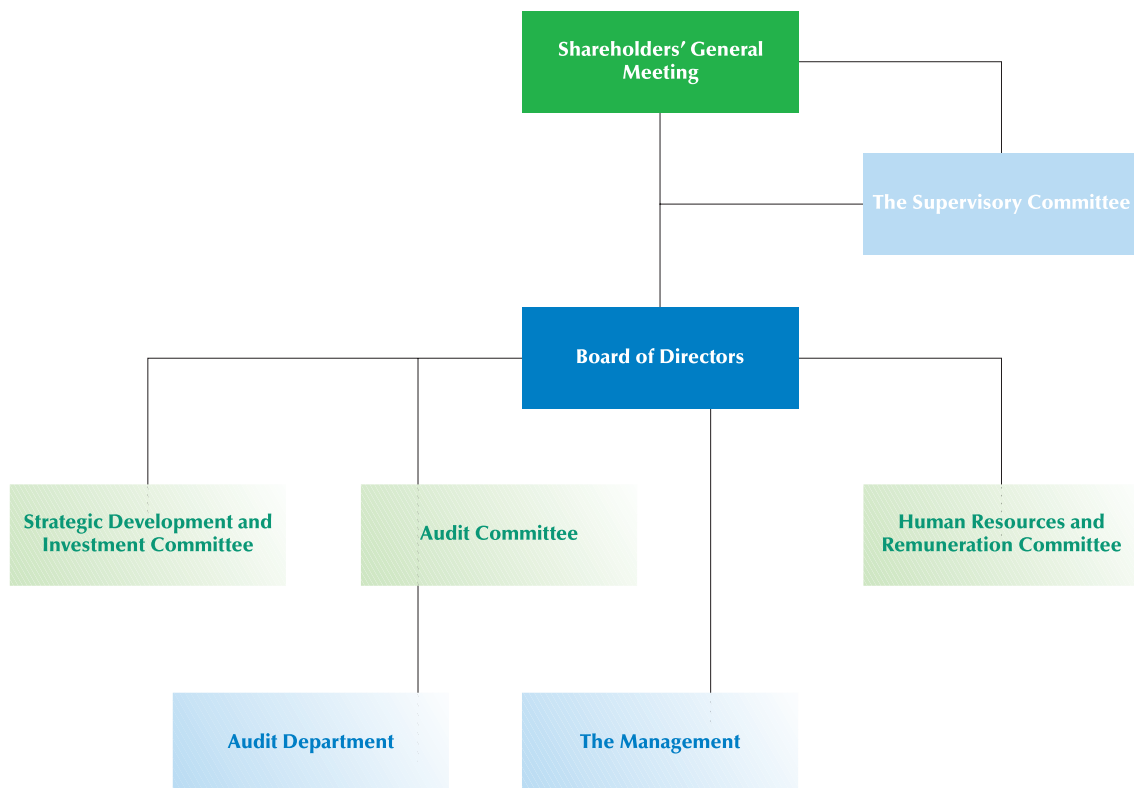
### Code on Corporate Governance

During the report period, the company complies with Code of Corporate Governance Practice (From 1 Jan, 2012 to 31 Mar, 2012) and Code of Corporate Governance (from 1 Apr, 2012 to 31 December, 2012) and strives to maintain high-standard company management and control system to promote the enterprise transparency and guarantee stockholders' equity. It is confirmed by the board of directors that from 1 Apr, 2012 to 31 Dec, 2012, the duties except Remuneration Committee and Nomination Committee are undertaken by Human Resources and Remuneration Committee (the company believes that the HR and Remuneration Committee mode is feasible all the time, which better meets the company demand. Members of HR and Remuneration Committee are independent non-executive directors, who guarantee the stockholders' equity.

During the reporting period, the Company shall strictly adhere to *Company Law*, *Securities Act* and the relevant laws and regulations as well as requirements from normative documents of the CSRC (China Securities Regulatory Commission) and continue to improve the corporate governance structure, vigorously promoting the internal control and regulation construction work. By carefully performing the obligation of disclosing information and enhancing the management of investors' relations, the standard operation level of the company has been improved.

## II. Governance structures and rules

The Company has established the corporate administration structure composed of stockholders' meeting, board of directors, board of supervisors and managerial staff, which has been constantly examined and optimized through practices. The company also formulates multi-level administration rules and regulations on the basic of corporate constitutions so as to ascertain the obligations, authorities and standards of behavior for each party. The administrative configuration of the Company is explicated as follows:



The main documents about the corporate administration include Corporate Constitution and its attachments *Rules of Procedure for Stockholders' Meeting*, *Rules of Procedure for Board of Directors*, *Rules of Procedure for Board of Supervisors*, *Action Guide for General Managers* and *Regulation on Terms of Reference* for various specialized committees, etc., all of which can be consulted in websites of SEHK and our official corporate website.

During the reporting period, the Company further perfected policies on cash dividends and regulated the decision mechanism and procedures for profit distribution scheme in its constitution. The above mentioned amendments have been approved in the stockholders' meeting. Please refer to Item Five of the report for details.



## 1. Shareholders and Shareholders' general meeting

The Company treats all the shareholders equally and ensures that all shareholders have the rights to be informed and to make decisions on material matters relating to the Company. The Company ensures that all shareholders, especially medium and small shareholders, are treated equally and may fully exercise their rights. The notice, authorization and consideration of Company Law, Company's Articles of Association and Shareholders' General Meeting were all in compliance with relevant procedure.

The Company has put great emphasis on general meetings and issues a meeting notice 45 days before the holding of a meeting requesting all directors, supervisors and senior management to attend so far as possible. All relevant information assisting the shareholders to attend the general meetings and make decisions should be provided with them at least 5 days prior to the meetings including the agenda and details of each resolution. The Company encourages all shareholders to attend general meetings and welcomes them to deliver speeches at the meetings. At the general meeting, the directors, supervisors and senior management should give an explanation for shareholders' problems except for commercial secret. During the reporting period, the Company has held 3 general meetings and all directors were attended. For the details of the general meetings convened by the Company during the reporting period, see the "Profile of the General Meeting" section in the annual report for this year.

The general meeting shall be attended and witnessed by a lawyer appointed by the legal counsel of the Company who shall issue written legal opinions. Meanwhile, according to the requirements of the Hong Kong Stock Exchange, a representative appointed by the accountant and a shareholder representative shall act as the scrutineers to monitor the counting of votes so as to ensure the procedure of the meeting is legal, fair and transparent.

Anhui Expressway Group and Huajian Center are the substantial shareholders of the Company. The Company's business, assets, staff, organization and finance are separated from those of the controlling shareholders, allowing the Company to have complete autonomy over its business and operations. The controlling shareholder exercises its right as a capital contributor strictly in accordance with the Company law and Company's Articles of Association and has not intervened the decision making process and operations of the Company directly or indirectly by passing the general meetings.

## 2. Directors and the Board of Directors

### *The Board of Directors*

The Board represents interests of all the shareholders and is wholly accountable to General Meetings. It has strictly complied with the "Rules Governing the Operation of the Board" within the authority scope of the Articles of Association, which stipulates the decision-making process related to the development strategies, planning and management and financial control. The Board also supervises and reviews the development and operation of the Company with the primary mission of achieving best operating results for shareholders.

The Company has clearly defined the responsibility of the Chairman and the General Manager. The responsibility of the Board and the management are separated and are set out in detail in the Company's Articles of Association, the "Rules of proceedings for Board" and "Standing Orders for the Operation of General Manager", ensuring a balance of power and authority as well as guaranteeing the independence of the Board in decision-making and the independence of the management in day-to-day operation management activities. The chairman is responsible for leading the Board to work out the corporate strategy and fulfil the Group's goal.

During the reporting period, the Company faithfully implemented the decisions made in the stockholders' meetings, and examined great events within their extent of competence in strict accordance with the regulations. The specialized committees of the board of directors has held specialized meetings respectively, and put forward suggestions and advice on issues like the development strategy and capital operation of the Company, which contributed to the standard operation and scientific decision-making of the board of directors.

The Board holds periodic meetings quarterly and extraordinary meetings if necessary. The notice of periodic Board meeting shall be sent to all Directors at least 10 days before the meeting, and the notice of extraordinary Board meeting shall be sent to all Directors at least 2 days before the meeting. One-thirds or more of Directors may jointly, and the general manager may, convene an extraordinary Board meeting. Supporting documents containing the details of relevant resolutions to be proposed at a Board meeting shall be sent to all Directors at least 3 days before the meeting. The Board held a total of 14 meetings in 2012. Please refer to the section headed "Usual Operation of the Board of Directors" in this annual report for details.

The Board of Directors has established three specific committees in order to assist the Board of Directors in performing duties and operating effectively. In considering matters such as corporate strategies, financial reporting, accounting policies, project investment and the selection of and remuneration for Directors and managers, the proposals will be first submitted to the relevant committee for consideration and discussion, which will review the same within its terms of reference and make recommendations to the Board and has contributed to the improved efficiency and effectiveness of the Board's decision-making.

The management is responsible for the provision of relevant materials and information necessary for the Board's consideration of various proposals and arranging for the senior management to report works at a Board meeting. The Board and the specialized committees under the Board shall have the right to seek the service of independent professional institutions according to the needs of the exercise of authority, performance of duties or businesses, and the reasonable expenses incurred thereon shall be borne by the Company. During the year, none of the Directors has requested to seek independent professional opinions for any matter.

When a Board Meeting considers any transaction, the Directors shall report their interests involved, and shall not be present under appropriate conditions. According to the "Rules of proceedings for Board" of the Company, if a substantial shareholder or a director has a conflict of interest in any material matter, the connected director must abstain from voting when a Board Meeting is held. During the reporting period, when the Board of the Company considered connected transactions in relation to the share issue of Ningxuanhang Company and asphalt procurement, all relevant directors complied with the principle of avoidance and abstained from voting. The independent non-executive directors expressed their opinions about procedural compliance and the fairness of the transactions.

The minutes of a board meeting set out in detail the date, venue and agenda of the meeting, key points made by directors, the voting result of each item put to the vote etc. The minutes of a board meeting are kept as files of the Company which can be accessed by directors at any time through the secretary to the Board.

#### *Director*

At present, the board of directors of the Company is composed of 9 directors, including 4 executive directors (they are Mr. Zhou Rengqiang, Mr. Tu Xiaobei, Mr. Li Junjie and Mr. Li Jiezhi), 2 non-executive directors (they are Mr. Liu Xianfu and Mr. Meng Jie) and 3 independent non-executive directors, this meeting is the 6th board meeting of the Company, and the directors (including non-executive director) whose term of office ends on 16 August 2014 possess industry background or professional skills on highway industry, engineering construction, investment strategy, company management, financial accounting, law, investment bank, etc. respectively. Among all the directors, there are 3 independent non-executive directors and 1 independent non-executive director with professional knowledge about accounting. Independent non-executive directors are equipped with abundant professional knowledge and management experience in company management, finance and securities, financial management, etc. and hold important posts in the specialized committees. Independent non-executive directors account for more than half of all the directors in both audit committee and human resource and remuneration committee; the chairmen of the committees are also assumed by independent non-executive directors. The staff arrangement for members of the board of directors and the specialized committees accords with the requirement regulated in Instruction to Establishing Non-executive Director System in Public Companies. Please refer to Item Nine of the annual report for the personal resume of directors (including their professional background and working experience in the stockholding company and other companies).

Directors attend board meetings and shareholders' meetings

Name	Independent non-executive director (yes or no)	Times for that should attend during this year	Attend board meeting				Attend shareholders' meeting	
			Times for attending in person	Times for on-line meeting	Times for Delegating to attend	Absent Times	Two successive be absent the meeting (yes or no)	Times for attending
Zhou Rengqiang	No	9	2	7	0	0	No	3
Tu Xiaobei	No	9	2	7	0	0	No	3
Li Junjie	No	9	2	7	0	0	No	3
Li Jiezhi	No	9	2	7	0	0	No	3
Liu Xianfu	No	9	2	7	0	0	No	3
Meng Jie	No	9	2	7	0	0	No	3
Hu Bin	Yes	9	2	7	0	0	No	3
Yang Mianzhi	Yes	9	2	7	0	0	No	3
To Cheng Chi	Yes	7	2	5	0	0	No	2
Cui Yunfei	Yes	2	0	2	0	0	No	1

Note: each of the directors has attended all board meetings of their term during the reporting period.

Times for Convening board meeting this year	9
Among: times for on-site meeting	2
Times for on-line meeting	7
Times for on-line meeting and on-site meeting	0

*Independent Non-executive Directors and independence*

The Company has appointed a sufficient number of Independent Non-executive Directors. Pursuant to Rule 3.13 of the Listing Rules of The Stock Exchange of Hong Kong Limited, the confirmations from all Independent Non-executive Directors as to their independence have been received by the Board. The Company considers that all existing Independent Non-executive Directors have complied with the relevant guideline as set out in such Rule, and are still independent.

During the reporting period, apart from attending Board meetings and specialised committee meetings seriously, the Independent Directors of the Company have provided written independent opinions on matters such as the Company’s external guarantees and connected transactions, and held meetings with external auditors to discuss the annual audit arrangement and problems identified in the audit.

During the reporting period, none of the Independent Non-executive Directors has raised any objections to any matters relating to the Company, and neither of them has proposed to convene any Board meeting, general meeting or seek voting rights from public shareholders.

*Duty performance of directors*

All the directors of the Company are able to receive materials and news about the legal, regulatory and other continuing obligations directors in public companies should assume timely with the help of the secretary of the board. The directors are determined to obey the rule A.6.5 on the training of directors regulated in the *Company Governance Rules* which came into force on 1 April 2012 to ensure that the directors can inform the board of directors of relevant information and make related contribution. Reviewing the achievement of this year, directors of the company have received relevant trainings according to the Listing Rules of the Stock Exchange of Hong Kong Limited, company, and provided with the company with relevant training records. Based on the records, the trainings of the directors received in the year reviewed are as follows:

Director’s name	Corporate governance and the update of Laws and regulations		Accounting/finance/manager and other professional skill	
	Information read	Attend the lecture/training	Information read	Attend the lecture/training
Zhou Renqiang	√		√	
Tu Xiaobei	√	√	√	√
Li Junjie	√	√	√	√
Li Jiezhi	√		√	
Liu Xianfu	√		√	
Meng Jie	√		√	
Hu Bin	√		√	
Yang Mianzhi	√	√	√	√
To Cheng Chi	√		√	
Cui Yunfei	√		√	

*Liability Insurance for Directors, Supervisors*

According to the Stock Exchange of Hong Kong's latest regulations of the CG Code, the Company has purchased liability insurance for directors, supervisors and senior management of the Company and authorized the executive directors or the secretary of the board, in the case of no significant adjustment of liability limits and premiums budget matters, to handle subsequent annual renewal of insurance.

*Model Code for Securities Transactions for Directors and Supervisors of the Company*

The Company has adopted the code provisions on the trading of shares of the Company by relevant directors contained in the "Model Code for Securities Transactions by Directors and Supervisors of Listed Issuers" ("Model Code for Securities Transactions") as set out in the Appendix 10 of the "Listing Rules". After making specific enquiries of all directors and supervisors, the Company confirms that all directors and supervisors fully complied with the "Model Code for Securities Transactions".

*Specific Committees of the Board*

The Board of Directors established three specific committees in order to facilitate the Board of Directors in performing duties and operating effectively. Each of the committee has formulated Terms of Reference Letter to define their Terms of Reference and duty procedure and was approved by the Board of Directors. Terms of Reference of each committees have been posted on the Company's website.

Members of the specialized committees are appointed by the board of directors with the tenure being 3 years, which is the same to that of directors. Independent non-executive directors assume important posts and responsibilities in specialized committees, and they account for more than half of all the directors in both audit committee and human resource and remuneration committee; the chairmen of the committees are also assumed by independent non-executive directors.

The Board has set up three committees. The table below provides membership information of these committees on which each Board members serves.

Director/Board committee	Strategic Development and Investment Committee	Human Resource and Remuneration Committee	Audit Committee
Zhou Renqiang	C		
Tu Xiaobei			
Li Junjie	M		
Li Jiezhi	M		
Liu Xianfu	M		M
Meng Jie		M	
Hu Bin	M	C	M
Yang Mianzhi			C
Cui Yunfei		M	

Notes:

C Chairman of relevant Board Committees

M Member of relevant Board Committees

#### *Strategic Development and Investment Committee (the "Strategic Committee")*

The Strategic Committee conducts researches and gives advices on long-term strategic development projects, financial plans of major investments, major capital applications, asset management projects and major events affecting the Company's development.

By 31 December 31 2012, the committee members of which include Mr Zhou Renqiang (Chairman), Mr. Li Junjie, Mr. Li Jiezhi, Mr. Liu Xianfu and Mr. Hu Bin (Independent Non-executive Directors).

The main achievement of this committee in this year was: the Committee of Strategy Development and Investment has clarified the orientation of the company's further development and made the 12th five-year development plan for the company based on its analysis and study on the macro-economic situation, industry development policies and trends.

#### *Audit Committee*

The Audit Committee is mainly responsible for supervising the Company's internal control system and its execution, evaluating financial information and related disclosure, reviewing the internal control system, auditing major connected transactions and also communicating, supervising and investigating the Company's internal and external audits.

By 31 December 31 2012, the Committee of the Company was composed of Mr. Yang Mianzhi (chairman), Mr. Liu Xianfu and Mr. Hu Bin, all being non-executive directors and two of them being Independent Non-executive Directors.

The Audit Committee held 4 meetings during 2012:

Name of committee member	Be present at a meeting (time)	Should be present at a meeting (time)	Attendance
Yang Mianzhi	4	4	100%
Liu Xianfu	4	4	100%
Hu Bin	4	4	100%

The achievements of Audit Committee in this year include: the Audit Committee held 4 meetings during the reporting period, communicated fully with the accountants and the company, and reviewed and examined 2011 annual financial report as well as financial reports on the first quarter, first half year and third quarter of 2012. It agreed to submit the 2012 annual audit report and internal control self-assessment report to the board of directors for consideration, and consented to continue hiring PricewaterhouseCoopers Zhong Tian CPAs Limited Company (special general partner) and PricewaterhouseCoopers Consulting as the audit institutions for the next year, the proposal of which was also submitted to the board of directors for consideration.

*The Human Resources and Remuneration Committee (the "Remuneration Committee")*

The committee has specified the specific terms of reference in writing, which explained clearly the authority and responsibilities of the committee. The rights and responsibilities of Nomination and Remuneration Committee have included the particular responsibilities regulated in the items of the rule, except for certain amendments made as needed.

By 31 December 31 2012, the Remuneration Committee of the Company was composed of 1 non-executive director and 2 independent non-executive directors, the members including Mr. Hu Bin (the chairman of the committee) Mr. Meng Jie and Mr. Cui Yunfei, which lives up to requirement of relevant regulations. The major responsibilities of the Remuneration Committee of the board of directors are: in charge of making human resource development strategies and plans for the company, researching and formulating compensation policies and incentive mechanism, conducting performance appraisal of and put forward suggestions as to the appointment and dismissal of directors, general managers and other senior executives of the Company.

In accordance with the new amendments made to the listing rules, the board of directors approved to adopt the new range of rights and responsibilities in 2012. According to the new terms of reference, Remuneration Committee acts as the consultant in terms of the compensation of directors and senior executives of the company while the board of directors reserves the final authority in approving the compensation of directors and senior executives.

The main achievement of Remuneration Committee consists of: nominated independent non-executive directors during the reporting period, and confirmed their independence. It also examined the materials about the compensation of directors, supervisors and senior executives announced in the annual report, holding that the announced data were accurate and real, which conformed to the actual issuing condition.

The Remuneration Committee held 2 meetings during 2012:

Name of committee member	Be present at a meeting (time)	Should be present at a meeting (time)	Attendance
Hu Bin	2	2	100%
Meng Jie	2	2	100%
To Cheng Chi	2	2	100%

### 3. Supervisor and Supervisory Committee

The Supervisory Committee consists of three supervisors, including two shareholder's representatives and one employee's representative. The size and composition of the Supervisory Committee has complied with the requirements of the legal rules and regulations. The Supervisory Committee is responsible to all shareholders as a whole and exercises the supervisory rights of the Company according to law. Its core duties, among others, are to supervise the corporate finances and also to ensure that the directors and senior management are performing their duties with due diligence with a view to safeguarding corporate assets and protecting legal interests of the Company and its shareholders.

In 2012, the Supervisory Committee convened 4 meetings with all supervisors present, supervised the performance of duties by the Company's financial personnel, Directors and senior management in compliance with the laws and regulations on behalf of the shareholders, attended all the Board meetings and Shareholders' General Meetings, and conscientiously performed its duties.

### 4. Information Disclosure

The Company has faithfully fulfilled the legal information disclosure obligation and disclosed information on time with truthfulness, accuracy and completeness strictly according to the requirements of relevant laws and the Listing Rules to ensure information disclosure in an open, fair and just way and that all shareholders can enjoy equal and full right of accessing information, and increase the transparency of the Company. In case there is any difference between the requirements of Hong Kong Stock Exchanges and Shanghai Stock Exchange, the Company shall prepare documents and make disclosures as much as possible and as strict as possible. The Board Secretary executes the information disclosure relating to the Company.



During the reporting period, the Company published annual, interim and quarterly report and issued 4 periodic reports and 36 extraordinary announcements according to the listing rules of Shanghai Stock Exchange and the Stock Exchange of Hong Kong Limited, which disclosed the Company's results and financial information, dividends payables, operations of the Board and Supervisory Committee, convening general meetings and connected transactions objectively and in detail. The relevant announcements were published in the China Securities Post and Shanghai Securities Post and on the websites of Shanghai Stock Exchange, the Stock Exchange of Hong Kong Limited and the Company.

## 5. Investor Relations

The management of the Company has consistently emphasized investor relations management and has formulated the "Measures for the Administration of Investor Relations" and reinforced investor relations management in terms of the management structure and the internal control system.

During the reporting period, the Company made full disclosure of the relevant information to investors in strict compliance with the Listing Rules and disclosed important information through regular reports and adhoc announcements to strive to increase the quality of information disclosure. The Company's web site is another important platform for establishing investor relations. The Company makes use of its web site to publish relevant operating data and information on a regular basis to enable investors to gain a timely understanding of the latest development of the Company. During the reporting period, the Company further strengthened the management and construction of the content of its web site so as to provide richer and more timely advice to investors. The core of investor relations management is effective communication. The Company has established smooth communication channels with investors through various forms of investor relations management activities to enhance mutual trust and interaction.

Major investor relationship activities in 2012:

- The Company jointed the UBS Greater China Seminar in Shanghai in January 2012;
- The Company held 2011 Annual Results Press Conference in Hong Kong, visited multiple funds and held one-on-one meetings in March 2012;
- The Company operated international road show to France, Netherlands and England at Citibank European Headquarters' invitation in April 2012;
- The Company jointed the Asia Transportation Industry Corporations Seminar held by UBS in June 2012;
- The Company jointed the Infrastructure and Machinery Industry Subject Seminar 2012 held by the CITI Group in Hong Kong in July 2012;
- The Company held 2012 Interim Results Press Conference in Hong Kong, visited multiple funds and held one-on-one meetings in August 2012.

- The Company joined the Citi Greater China Investor Conference 2012 held in Macau in November 2012.

#### **6. Training for the secretary of the Company**

Mr. Xie Xinyu, the deputy general manager and secretary of the board of directors is an associate member of HKICS. During the reporting period, Mr. Xie Xinyu attended 4 lectures about strengthening the continuing professional development held by HKICS, the total hours reaching 53.5 hours, the content of which covers the financial audit in line with *Fundamental Requirements on Company's Internal Control*, annual performance report, relevant policies and regulations about merger, acquisitions and reorganization, corporate governance and sustainable development, etc.

#### **7. Registration management for insiders of inside information**

The company has drawn up *Registration Management for Insiders of Inside Information*. During the reporting period, the company registered in details the relevant personnel, items, time of knowing the information and usage related to the inside information in strict accordance with the regulations of the system, and required the relevant personnel to make commitment and reminded them to fulfill their obligation of keeping secrets.

#### **8. Corporate governance systems established during the reporting period**

As regards to the board of directors performing the function of corporate governance, during the reporting period, for improving the level of corporate governance and standard operation, promoting the operation and management efficiency, and preventing as well as reducing company's operational risks, on the basis of organizing all management systems and combining with the business condition, the company laid down 54 systems such as *Internal Report System for Major Events*, *Interim Procedures about Internal Control Management*, *Investment Management Methods*, *Parent-subsidiary Corporation Control System*, *Guarantee Management Methods*, *Management Methods on Drawing and Using Safety Production Expenses*, *Regulations on Information System Management*, *Interim Provision on Fund Payment and Financing*, *Contract Management System*, *Management Methods on Legal Representatives Authorizing Power of Attorney*, *Purchasing and Supplying Management System*, *Staff Dimission Management Methods*, *Staff Training Methods*, and revised 8 systems like *Budget Control System*, *Internal Audit Management System*, *Interim Procedures about Contract Management*, *Employee Manual*, which perfected the company's internal control system and laid system foundation for the effective implementation of the company's internal control. The above mentioned systems have all undergone relevant procedures for examining.

### III. About the General Meeting

Session	Date	Index	Date
2011 Annual General Meeting	25 May 2012	《Shanghai Securities News》	28 May 2012
2012 First Extraordinary General Meeting	30 August 2012	《China Securities journal》 <a href="http://www.sse.com.cn">http://www.sse.com.cn</a>	31 August 2012
2012 Second Extraordinary General Meeting	12 October 2012	<a href="http://www.hkex.com.hk">http://www.hkex.com.hk</a> <a href="http://www.anhui-expressway.net">http://www.anhui-expressway.net</a>	15 October 2012

#### Resolutions approved in 2011 Annual General Meeting:

- To approve the working report of the board of directors, the working report of the supervisory committee, the audited financial report and the profit appropriation proposal for the year 2011; (Ordinary resolution)
- To approve the appointment of the auditors for the year 2012 and to authorize the board of directors in determining their remuneration; (Ordinary resolution)
- To approve the purchase of liability insurance for the Company's directors, supervisors and senior management officers; (Ordinary resolution)
- To approve the appointment of Mr. Wang Wenjie as the Company's new supervisor; (Ordinary resolution)
- To approve the application regarding the issue of a non-public debt financing instrument by the Company of an amount not exceeding RMB2,000,000,000 and of a maturity period of 3 years; (Special resolution)
- To approve the exercise by the Board of Directors of the Company of all the powers of the Company to allot or issue new shares (H Shares). (Special resolution)

#### Resolutions approved in 2012 First Extraordinary General Meeting:

- To approve the resolution of electing Mr. Cui Yunfei as the independent non-executive director of the Company for a term from the date of election to 16 August 2014 and authorise the board of directors to fix his remuneration (Ordinary Resolution);
- To approve the amendment to the Articles of Association: (Special resolution)

**Resolutions approved in 2012 Second Extraordinary General Meeting:**

- To consider and approve resolution for the connected transaction relating to the capital increase of Anhui Ning Xuan Hang Expressway Investment Company Limited;(Ordinary resolution)
- To consider and approve resolution for the connected transaction relating to road management services provide to Anhui Expressway Holding Group Company Limited;(Ordinary resolution)
- To consider and approve resolution for the connected transaction relating to the lease of the premises situate at Wantong Expressway Hi-tech Industrial Park to Anhui Expressway Holding Group Company Limited.(Ordinary resolution)

**The method of General Meeting, held extraordinary general meeting by shareholders and making suggestions**

According to the articles of association, Article 88, half of the total number of the independent non-executive directors, Shareholders who singly or jointly hold more than 10 per cent of the shares carrying rights to vote (hereinafter called “Requisitioning Shareholder”) or supervisory committee, may request the board of directors to convene an extraordinary general meeting or a class meeting in accordance with the following procedures:

- (1) Upon requisition by more than half of the independent non-executive directors to convene an extraordinary general meeting, the board of directors must act according to the laws, administrative rules and the Articles herein, and provide written reply on whether they agree or disagree to convene the extraordinary general meeting within 10 days of the date of receipt of the proposal.

If the board of directors agrees to convene an extraordinary general meeting, a notice of general meeting shall be issued within 5 days after such a board resolution is made, If the board of directors decline to convene an extraordinary general meeting, reasons must be given and announced.

- (2) Requisitioning Shareholder or supervisory committee signing a written requisition in one or more counterparts in the same form and content (including the agenda for the meeting and completed motion, Requisitioning Shareholder or supervisory committee shall ensure the motion comply with law, regulation and the requirements of these Articles) require the board of directors to convene an extraordinary general meeting or a class meeting and state in such written requisition the matters to be considered at the meeting.
- (3) The board of directors shall, after receipt of the aforesaid written requisition from the supervisory committee, within 15 days issue a notice for convention of extraordinary general meeting or class meeting, the process for convention shall comply with these Articles. The number of shares held by the shareholders as at the date of the deposit of the written requisition shall be taken as the number of shares held by them for the purposes of this sub-paragraph.

- (4) As regards to the written requisition from the Requisitioning Shareholder for convention of extraordinary general meeting or a class meeting, the board of directors shall be based on the law, regulation and these Articles to determine whether to convene general meeting. The decision of the board of directors shall be given to the Requisitioning Shareholder within 15 days from the date of the aforesaid written requisition.

The board of directors consents to the convention of general meeting shall give notice of general meeting within 15 days from the date of their resolution. Amendment to the original motion to be stated in the notice shall be agreed by the Requisitioning Shareholder. After the issue of notice, the board of directors shall not make new motion. The board of directors shall not change or postpone the time for convention of meeting without consent of the Requisitioning Shareholder.

The board of directors of the opinion that the motion made by the Requisitioning Shareholder is violating the law, regulation and the provisions of these Articles, the board of directors shall make the decision for not agreeing to the convention of general meeting or class meeting. The decision of the board of directors shall be given to the Requisitioning Shareholder within 15 days from the date of their resolution. The Requisitioning Shareholder may, within 15 days from the date of receipt of notice, decide to give up the convention of general meeting or class meeting, or issue notice of general meeting or class meeting by himself.

- (5) If the board of directors fails to issue a notice convening a meeting within 30 days of its receipt of the aforesaid written requisition, the requisitioning shareholders may on their own convene a meeting within 4 months of the receipt of such requisition by the board of directors. Such a meeting shall be convened in a manner as nearly as possible to that of a general meeting convened by the board of directors.

All reasonable expenses incurred in relation to a meeting convened by the shareholders themselves which arises from the board of directors fail to convene a meeting pursuant to the requisition shall be borne by the Company and shall be set off against sums owed by the Company to those directors in default.

- (6) When supervisory committee or Requisitioning Shareholder decide to convene extraordinary general meeting or class meeting by itself, it shall give written notice to the board of directors and at the same time notify the local agent of China Securities Regulatory Commission and file at the stock exchange in China. The content of the notice for convention of meeting shall comply with the following requirements:
- (i) new content shall not be added to the motion, otherwise the supervisory committee or Requisitioning Shareholder shall make request to the board of directors for convention of meeting again in accordance with the provision of this Article;
  - (ii) the venue for the meeting shall be the legal address of the Company.

- (7) As regards to general meeting or class meeting convened by Supervisory committee or Requisitioning Shareholder, the board of directors and Secretary of the board of directors shall perform their duties. The board of directors shall ensure that the procedure of the meeting is regular, the reasonable costs for convention of meeting shall be borne by the Company.
- (8) The board of directors cannot assign a director to be chairman of the meeting, the meeting shall be presided by supervisory committee or the Requisitioning Shareholder according to these Articles. The secretary of the board of directors shall perform his duty. Other procedure for summoning of meeting shall comply with the provision of law, regulation and these Articles.
- (9) The Requisitioning Shareholder shall submit relevant evidence to the local agent of China Securities Regulatory Commission and stock exchange in China when issuing a notice of general meeting and board resolution.

And according to articles of association, Article 65, Where the Company convenes general meeting, board of directors, Supervisory Committee and shareholders, solely or jointly, holding more than 3 per cent. (including 3 per cent) the total shares of the Company carrying the right to vote are entitled to submit in writing any new proposal for the Company's consideration. The Company shall include in the agenda of that meeting those matters contained in the proposal which are within the scope of the duties of the shareholders in general meeting. Shareholders, solely or jointly, holding more than 3 per cent the total shares of the Company, may on or before the 10 days prior to the holding of a general meeting propose, with written submission to the convener, temporary proposal. The convener shall within 2 days from the date of receipt of such proposal issue a supplementary notice, in respect of the announcement of the contents of the temporary proposal, to the general meeting. Apart from the situation stipulated in the previous sub-clauses, after the announcement of the notice of general meeting, the convener shall not amend proposed resolution stated in notice of the general meeting or to add any new proposed resolution. Any resolution which is not stated in the notice of general meeting or not complied with Article 98 of these Articles shall not be proposed for voting and be resolved.

### **Proposed Amendment of Articles of Association**

Review of the year, (i) to reflect the change of name of the second largest Shareholder of the domestic shares of Company; and (ii) pursuant to the requirements in relation to improving the work of cash dividend distribution in the “Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies” by the China Securities Regulatory Commission (Zheng Jian Fa [2012] No.37) and “Forwarding the China Securities Regulatory Commission’s Notice Regarding Further Implementation of Cash Dividends Distribution of Listed Companies” by the Anhui Bureau of the China Securities Regulatory Commission (Wan Zheng Jian Han Zi [2012] No.140), in order to further refine the Company’s cash dividend distribution policy, regulate the decision-making mechanisms and procedures concerning its dividend distribution policy, protect the interests of its investors, and improve the transparency of the work of cash dividend distribution, the Board proposes to revise the relevant provisions in the Articles of Association. Please read the Circulars published on 13 July 2012 for details.

### **Auditors**

The audit committee has discussed and evaluated the accountants’ professional quality and the execution of 2012 audit work and presented relevant opinions and improving ideas. The relevant appointment, replace of auditors and audit fees will be approved or authorized at General Meeting presented by the Board.

The 2011 Annual General Meeting has approved to continue to appoint PricewaterhouseCoopers Zhong Tian Certified Public Accountants Co. Ltd and PricewaterhouseCoopers Certified Public Accountants as the Company’s 2012 PRC and Hong Kong auditors. In 2012, the audit fees were RMB2,150,000, apart from the said fees, the Company did not pay any other fees to the auditors nor affect their independence.

### **Internal Control**

A comprehensive and practicable internal control system is fundamental to a well-established corporate governance. The Board of Directors is responsible for establish and maintain the internal control systems of the Company so as to review the financial, operational and supervisory control procedures, and protect the interests of shareholders and safety of the Company’s assets.

In 2012, the Board of Directors continuously reviewed the internal control system of the Company and prepared the Self-evaluation Report Regarding of Internal Control of the Company, to elaborate and explain the objectives of internal control, the composition and implementation of the internal control systems and the overall evaluation results. For details, please refer to the 2012 Self-evaluation Report Regarding of Internal Control of the Company.

### **Internal audit**

In order to independently review the effectiveness of the Group's operation, management and internal control system, the Audit Department was established in September 2008. The Audit Department reports on a regular basis the audit results, recommendations for improvement, responses and improvement plans of auditors and rectification results to the Board.

### **Responsibility statement made by the board of directors on financial statement**

This statement aims at explaining and distinguishing the responsibilities assumed by the directors and auditors respectively as to financial statement. The statement should be understood combined with the auditors' statement written in the audit report in Chapter 13 of the annual report.

The board of directors held that: the resources the company owns are abundant for the company to continue operating the business in the predictable future. Therefore, the financial statement was made on the basis of continual operation; and in making the financial statement, the company has applied appropriate accounting policies. These policies were applied with the support of reasonable and prudent judgment and evaluation, in line with all the accounting standards regarded as applicable by the board of directors. The directors are responsible for ensuring that the accounts made by the company can reflect the financial condition of the company in a reasonable and accurate way, and that the financial statement meets the requirement of relevant accounting principles.

### **The method of asking the board of directors for inquiring information**

If the shareholders need to inquire any information, they can write to the company; noting that the addressee is the secretary of the company.



In 2012, all members of the Supervisory Committee have strictly complied with the requirements of the “Corporate Law”, “Listing Rules”, “the Articles of Association” of the Company and “the Standing Orders of the Supervisory Committee”. Under the general principle of the faith, they performed their duties prudently and actively with an aim to protect the statutory interests of the shareholders and the Company.

The major jobs of the board of supervisors during the reporting period include: knowing about and supervising the behaviors of directors, general managers and other senior executives in daily management and in making operational decisions, judging whether their behaviors are legitimate and reasonable; examining carefully the business performance and financial condition of the company, discussing and checking the financial reports to be submitted to the stockholders’ meeting by the board of directors; supervising, examining and coordinating the development, execution and improvement of the company’s internal control.

In 2012, the Supervisory Committee held four meetings, the notice, convening and resolutions of which were in accordance with the statutory procedures and the Articles of Association of the Company. During the reporting period, the items that the Supervisor representative of the Company negotiates or sues to the directors has not occurred.

The Supervisory Committee issued the following opinions related to relevant items in 2012 in accordance with relevant regulations:

### **I. Compliance with law in operations**

During the reporting period, the Supervisory Committee conducted supervisions on the procedures for convening shareholders’ general meetings and Board meetings, matters to be resolved, implementation of resolutions of general meetings by Directors, and implementation of Board resolutions by the management, and considered that the procedures for the Company’s establishment of various systems were regularized, system implementations, daily operation and management activities were operated in accordance with the laws and regularized operations, the internal system constantly perfected and the corporate governance improved. The Directors and senior management of the Company were able to prudently and diligently perform their duties for the overall benefits of the shareholders and the Company. There were no actions in violation of the laws and regulations, and no abuse of powers or actions which might harm the benefits of the Company and the interests of the shareholders and the staff.

### **II. Financial situation of the Company**

The Supervisory Committee carefully examined the 2012 financial report made by the company’s board of directors to be submitted to the stockholders’ meeting, considered that the report was objective, true, and fairly reflected the financial situation, operation results and cash-flow of the Company.

### III. Connected transactions of the Company

The Supervisory Committee was of the opinion that all contracts, agreements and other relevant documents pertaining to the connected transactions complied with the laws. These contracts and agreements were fair and reasonable, without prejudice to the interests of the Company and its shareholders. The connected transactions were conducted strictly in compliance with fair, partial and open principles. In order to safeguard the interests of the public shareholders, the Company processed the connected transactions of which its controlling shareholders are parties to it in accordance with applicable requirements. No act of which is damaging to the interests of the public shareholders was reported.

### IV. Self-evaluation report on internal control

The Supervisory Committee has conscientiously reviewed the “2012 self-evaluation report on the internal control of the Company” issued by the Board and considers: The internal control system of the Company was sound and its implementation was effective, and no material defects in the design or implementation of internal control were identified. The report gives an objective and fair view of the actual situation of the internal control of the Company and the committee has not objection to the report.

By Order of the Supervisory Committee

**Wang Weisheng**

*Chairman*

Hefei, Anhui, the PRC

22 March 2013

Including the following documents:

- I. The original copy of the Annual Report signed by the Chairman;
- II. The accountant's report, signed by the legal representative, accountant director in charge of accounting, and accounting director and stamped with corporate seal;
- III. The original copy of auditor's report, sealed by PricewaterhouseCoopers Zhongtian CPAs, signed by the public accountant; the financial statement prepared in accordance with the Chinese Accounting Standards and the original copy of auditor's report signed by PricewaterhouseCoopers CPAs and the financial statement prepared in accordance with the Hong Kong Accounting Standards;
- IV. The original copies of corporate documents and announcements published in the Shanghai Securities Post and China Securities Post.
- V. The Articles of Association.

Place of inspection:

The Office of the Secretary to the Board of Directors  
520 Wangjiang West Road, Hefei, Anhui, the PRC



羅兵咸永道

**To the shareholders of  
ANHUI EXPRESSWAY COMPANY LIMITED**  
(Incorporated in the People's Republic of China with limited liability)

We have audited the consolidated financial statements of Anhui Expressway Company Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 101 to 188, which comprise the consolidated and company balance sheets as at 31 December 2012, and the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated cash flow statement 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.

### **Auditor's Responsibility**

Our responsibility is to express an opinion on these consolidated financial statements based on our audit and to report our opinion 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 auditor's judgment, 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 auditor considers internal control relevant to the entity's preparation of the 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.

**PricewaterhouseCoopers**  
Certified Public Accountants

Hong Kong, 22 March 2013

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T: +852 2289 8888, F: +852 2810 9888, [www.pwchk.com](http://www.pwchk.com)*

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

ASSETS	Note	As at 31 December	
		2012	2011
<b>Non-current assets</b>			
Concession intangible assets	6	8,847,086	8,430,757
Land use rights	7	10,644	11,330
Property, plant and equipment	8	691,841	811,003
Investment property	9	326,104	206,873
Intangible assets	10	2,526	2,367
Investments in an associate	13	41,316	29,285
Available-for-sale financial assets	14	515,000	300,000
		<b>10,434,517</b>	<b>9,791,615</b>
<b>Current assets</b>			
Inventories	16	3,554	3,413
Trade and other receivables	15	246,605	184,700
Cash and cash equivalents	17	762,838	603,223
		<b>1,012,997</b>	<b>791,336</b>
<b>Total assets</b>		<b>11,447,514</b>	<b>10,582,951</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary share capital	18	1,658,610	1,658,610
Share premium	18	1,415,593	1,415,593
Other reserves	19	117,367	345,042
Retained earnings			
– Proposed final dividend	35	331,722	348,308
– Others		3,120,084	2,698,278
		<b>6,643,376</b>	<b>6,465,831</b>
<b>Non-controlling interests</b>		<b>777,111</b>	<b>380,868</b>
<b>Total equity</b>		<b>7,420,487</b>	<b>6,846,699</b>

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.

## 102 Consolidated balance sheet (Continued)

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

LIABILITIES	Note	As at 31 December	
		2012	2011
<b>Non-current liabilities</b>			
Long-term payables	24	491,966	379,040
Borrowings	22	2,463,776	2,392,173
Deferred income tax liabilities	25	118,320	71,691
Deferred income	20	41,626	43,799
		<u>3,115,688</u>	<u>2,886,703</u>
<b>Current liabilities</b>			
Trade and other payables	21	772,693	651,522
Current income tax liabilities	32	32,470	117,151
Provision	23	6,826	6,826
Borrowings	22	99,350	74,050
		<u>911,339</u>	<u>849,549</u>
<b>Total liabilities</b>		<u>4,027,027</u>	<u>3,736,252</u>
<b>Total equity and liabilities</b>		<u>11,447,514</u>	<u>10,582,951</u>
<b>Net current assets/(liabilities)</b>		<u>101,658</u>	<u>(58,213)</u>
<b>Total assets less current liabilities</b>		<u>10,536,175</u>	<u>9,733,402</u>

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.

The financial statements on pages 101 to 188 were approved by the Board of Directors on 22 March 2012 and were signed on its behalf.

**Zhou Renqiang**  
Director

**Tu Xiaobei**  
Director

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

ASSETS	Note	As at 31 December	
		2012	2011
<b>Non-current assets</b>			
Concession intangible assets	6	5,923,934	6,313,502
Land use rights	7	10,644	11,330
Property, plant and equipment	8	629,712	785,055
Investment property	9	318,694	196,775
Intangible assets	10	658	840
Investments in subsidiaries	11	653,912	225,014
Loans to subsidiaries	12	757,676	625,642
Investments in an associate	13	18,999	18,999
Available-for-sale financial assets	14	515,000	300,000
		<u>8,829,229</u>	<u>8,477,157</u>
<b>Current assets</b>			
Inventories	16	3,081	3,413
Trade and other receivables	15	111,400	155,156
Cash and cash equivalents	17	390,732	518,147
		<u>505,213</u>	<u>676,716</u>
<b>Total assets</b>		<u><b>9,334,442</b></u>	<u><b>9,153,873</b></u>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity attributable to owners of the Company</b>			
Ordinary share capital	18	1,658,610	1,658,610
Share premium	18	1,415,593	1,415,593
Other reserves	19	948,683	950,059
Retained earnings			
– Proposed final dividend	35	331,722	348,308
– Others		2,509,885	2,236,593
<b>Total equity</b>		<u><b>6,864,493</b></u>	<u><b>6,609,163</b></u>

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.



## 104 Balance sheet (Continued)

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

	Note	As at 31 December	
		2012	2011
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings	22	1,987,776	1,982,123
Deferred income tax liabilities	25	6,858	3,724
Deferred income	20	41,626	43,799
		<u>2,036,260</u>	<u>2,029,646</u>
<b>Current liabilities</b>			
Trade and other payables	21	329,483	407,211
Current income tax liabilities	32	32,345	101,292
Provisions	23	6,561	6,561
Borrowings	22	65,300	—
		<u>433,689</u>	<u>515,064</u>
<b>Total liabilities</b>		<u>2,469,949</u>	<u>2,544,710</u>
<b>Total equity and liabilities</b>		<u>9,334,442</u>	<u>9,153,873</u>
<b>Net current assets</b>		<u>71,524</u>	<u>161,652</u>
<b>Total assets less current liabilities</b>		<u>8,900,753</u>	<u>8,638,809</u>

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.

The financial statements on pages 101 to 188 were approved by the Board of Directors on 22 March 2013, and were signed on its behalf.

**Zhou Renqiang**  
Director

**Tu Xiaobei**  
Director

*For the year ended 31 December 2012  
(All amounts in Renminbi thousands unless otherwise stated)*

	Note	Year ended 31 December	
		2012	2011
<b>Revenue</b>	27	<b>3,122,350</b>	3,052,074
Cost of sales	29	<b>(1,818,369)</b>	(1,602,604)
<b>Gross profit</b>		<b>1,303,981</b>	1,449,470
Other gains – net	28	<b>4,595</b>	12,908
Administrative expenses	29	<b>(81,845)</b>	(66,268)
<b>Operating profit</b>		<b>1,226,731</b>	1,396,110
Finance costs – net	31	<b>(135,777)</b>	(135,522)
Share of profit of an associate	13	<b>12,031</b>	8,019
<b>Profit before income tax</b>		<b>1,102,985</b>	1,268,607
Income tax expense	32	<b>(274,000)</b>	(316,792)
<b>Profit for the year</b>		<b>828,985</b>	951,815
<b>Attributable to :</b>			
Owners of the Company		<b>752,152</b>	861,185
Non-controlling interests		<b>76,833</b>	90,630
		<b>828,985</b>	951,815
<b>Basic and diluted earnings per share</b> (expressed in RMB per share)	34	<b>0.4535</b>	0.5192
<b>Dividends</b>	35	<b>331,722</b>	348,308

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.

## 106 Consolidated statement of comprehensive income

*For the year ended 31 December 2012  
(All amounts in Renminbi thousands unless otherwise stated)*

	Year ended 31 December	
	2012	2011
<b>Profit for the year</b>	<b>828,985</b>	951,815
<b>Other comprehensive income</b>	—	—
Other comprehensive income for the year, net of tax	—	—
<b>Total comprehensive income for the year</b>	<b>828,985</b>	951,815
<b>Total comprehensive income attributable to:</b>		
Owners of the Company	752,152	861,185
Non-controlling interests	76,833	90,630
	<b>828,985</b>	951,815

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.

# Consolidated statement of changes in equity

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

	Note	Attributable to owners of the Company				Non-controlling Interests	Total
		Ordinary share capital (Note 18)	Share premium (Note 18)	Other reserves (Note 19)	Retained earnings		
<b>Balance at 1 January 2011</b>		1,658,610	1,415,593	264,142	2,621,546	352,337	6,312,228
<b>Comprehensive income</b>							
Profit for the year		—	—	—	861,185	90,630	951,815
Other comprehensive income		—	—	—	—	—	—
<b>Total comprehensive income</b>		—	—	—	861,185	90,630	951,815
Profit appropriation	36	—	—	82,276	(82,276)	—	—
Others	19	—	—	(1,376)	1,376	—	—
<b>Transactions with owners</b>							
Dividends relating to 2010	35	—	—	—	(348,308)	—	(348,308)
Dividends paid to non-controlling interests of subsidiaries relating to 2010		—	—	—	—	(77,677)	(77,677)
Dividends paid to the then equity owner of a subsidiary relating to 2010		—	—	—	(6,937)	—	(6,937)
Difference between the carrying amount and undiscounted amount of interest free loan received from non-controlling interests, net of tax		—	—	—	—	15,578	15,578
<b>Balance at 31 December 2011</b>		1,658,610	1,415,593	345,042	3,046,586	380,868	6,846,699

# 108 Consolidated statement of changes in equity (Continued)

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

	Note	Attributable to owners of the Company				Non-controlling Interests	Total
		Ordinary share capital (Note 18)	Share premium (Note 18)	Other reserves (Note 19)	Retained earnings		
<b>Comprehensive income</b>							
Profit for the year		—	—	—	752,152	76,833	828,985
Other comprehensive income		—	—	—	—	—	—
<b>Total comprehensive income</b>		—	—	—	752,152	76,833	828,985
Profit appropriation	36	—	—	—	—	—	—
Others	19	—	—	(1,376)	1,376	—	—
<b>Transactions with owners</b>							
Dividends relating to 2011	35	—	—	—	(348,308)	—	(348,308)
Dividends paid to non-controlling interests of subsidiaries relating to 2011		—	—	—	—	(70,475)	(70,475)
Non-controlling interests' contributions to the Group	11(b)(d)	—	—	—	—	242,353	242,353
Consideration paid to the then equity owner for acquisition of a subsidiary under common control	39	—	—	(215,330)	—	—	(215,330)
Changes in ownership interests in a subsidiary without change of control	40	—	—	(10,969)	—	(7,911)	(18,880)
Difference between the carrying amount and undiscounted amount of interest free loan received from non-controlling interests, net of tax	11(b), 24, 25	—	—	—	—	155,443	155,443
<b>Balance at 31 December 2012</b>		<u>1,658,610</u>	<u>1,415,593</u>	<u>117,367</u>	<u>3,451,806</u>	<u>777,111</u>	<u>7,420,487</u>

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.

*For the year ended 31 December 2012  
(All amounts in Renminbi thousands unless otherwise stated)*

	Note	Year ended 31 December	
		2012	2011
<b>Cash flows from operating activities</b>			
Cash generated from operations	37	<b>861,655</b>	1,168,600
Interest paid		<b>(136,524)</b>	(127,893)
Income tax paid		<b>(363,866)</b>	(268,798)
<b>Net cash generated from operating activities</b>		<b>361,265</b>	771,909
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		<b>(44,690)</b>	(297,563)
Purchase of intangible assets	10	<b>(1,104)</b>	(1,193)
Purchase of available-for-sale financial assets	14	<b>(215,000)</b>	(300,000)
Payment for acquisition of a subsidiary under common control	39	<b>(165,330)</b>	—
Payment to non-controlling interest for acquisition of ownership interests in a subsidiary	40	<b>(18,880)</b>	—
Payment of bidding deposit for acquisition of a subsidiary	15(d), 39	—	(50,000)
Proceeds from sales of property, plant and equipment		<b>134</b>	5,760
Interest received	28	<b>3,830</b>	13,116
Dividend received from an associate	15(b)	<b>10,298</b>	3,990
<b>Net cash used in investing activities</b>		<b>(430,742)</b>	(625,890)
<b>Cash flows from financing activities</b>			
Proceeds from bank borrowings		<b>505,300</b>	151,000
Repayments of bank borrowings		<b>(86,169)</b>	(152,232)
Proceeds from non-controlling interests' contributions to subsidiaries	11(b)(d)	<b>242,353</b>	60,000
Dividends paid to the non-controlling interests		<b>(77,141)</b>	(71,012)
Dividends paid to the then equity owner of a subsidiary		<b>(6,937)</b>	—
Dividends paid to the Company's shareholders	35	<b>(348,308)</b>	(348,308)
<b>Net cash generated from/(used in) financing activities</b>		<b>229,098</b>	(360,552)
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at beginning of the year		<b>603,223</b>	818,350
Exchange losses on cash and cash equivalents		<b>(6)</b>	(594)
<b>Cash and cash equivalents at end of the year</b>		<b>762,838</b>	603,223

The notes on pages 110 to 188 are an integral part of these consolidated financial statements.

*For the year ended 31 December 2012  
(All amounts in Renminbi thousand unless otherwise stated)*

## 1 General information

Anhui Expressway Company Limited (the “Company”) was incorporated in the People’s Republic of China (“PRC”) on 15th August 1996 as a joint stock limited company. The Company and its subsidiaries (the “Group”) are principally engaged in the construction, operation, management and development of the toll roads and associated service sections in the Anhui Province. Besides, the Group has commenced to operate pawn business since 2012.

The Company’s H shares and A shares have been listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange since November 1996 and January 2003 respectively. The address of its registered office is No. 520, West Wangjiang Road, Hefei, Anhui, PRC.

As at 31 December 2012, the Group’s toll roads and concession period granted are shown as follows:

<b>Toll road</b>	<b>Length kilometres</b>	<b>Concession periods granted</b>
Hening Expressway	134	From 16 August 1996 to 15 August 2026
National Trunk 205 Tianchang Section	30	From 1 January 1997 to 31 December 2026
Xuanguang Expressway	67	From 1 January 1999 to 31 December 2028
Gaojie Expressway	110	From 1 October 1999 to 30 September 2029
Lianhuo Expressway Anhui Section	54	From 1 January 2003 to 30 June 2032
Xuanguang Expressway Nanhuan Section	17	From 1 September 2003 to 31 December 2028
Ninghuai Expressway Tianchang Section	14	From 18 December 2006 to 17 June 2032
Guangci Expressway	14	From 20 July 2004 to 20 July 2029
Ningxuanhang Expressway Anhui Section	122	Under construction as at 31 December 2012

These financial statements are presented in thousand of Renminbi (“RMB’000”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 22 March 2013.

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

## 2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRS”). The consolidated financial statements have been prepared under the historical cost convention.

The preparation of the consolidated financial statements in conformity with HKFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

As mentioned in Note 39, the comparative figures of the consolidated financial statements have been restated due to the acquisition of Xuancheng Guangci Expressway Co., Ltd. (“宣城市廣祠高速公路有限責任公司”, “Guangci”) under common control.

#### 2.1.1 Changes in accounting policy and disclosures

##### (a) *New and amended standards adopted by the Group*

There are no HKFRSs or HK(IFRIC) interpretations that are effective for the first time for the financial year beginning on or after 1 January 2012 that have a material impact on the Group.



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

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policy and disclosures (continued)

##### *(b) New standards and interpretations not yet adopted*

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 January 2012, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except the following set out below:

- HKFRS 9, “Financial instruments”, addresses the classification, measurement and recognition of financial assets and financial liabilities. HKFRS 9 was issued in November 2009 and October 2010. It replaces the parts of HKAS 39 that relate to the classification and measurement of financial instruments. HKFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity’s business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the HKAS 39 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity’s own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch. The Group is yet to assess HKFRS 9’s full impact and intends to adopt HKFRS 9 no later than the accounting period beginning on or after 1 January 2015. The Group will also consider the impact of the remaining phases of HKFRS 9 when completed by the Board.
- HKFRS 10, “Consolidated Financial Statements”, revised the definition of control and includes guidance for de facto control. It will be effective for accounting periods beginning on or after 1 Jan 2013 and its adoption may lead to consolidation or deconsolidation of certain investee(s) by the Group. Management has assessed the financial impact of HKFRS 10. Because the Company’s equity interests and voting rights in all consolidated subsidiaries are more than 50%, management believed the adoption of HKFRS 10 will not have significant impact to the Group.

## 2 Summary of significant accounting policies (continued)

### 2.1 Basis of preparation (continued)

#### 2.1.1 Changes in accounting policy and disclosures (continued)

##### (b) *New standards and interpretations not yet adopted (continued)*

- HKFRS 12, "Disclosures of interests in other entities", includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose vehicles and other off balance sheet vehicles. The Group is yet to assess HKFRS 12's full impact and intends to adopt HKFRS 12 no later than the accounting period beginning on or after 1 January 2013.

There are no other HKFRSs or HK(IFRIC) interpretations that are not yet effective that would be expected to have a material impact on the Group.

### 2.2 Subsidiaries

#### 2.2.1 Consolidation

Subsidiaries are all entities (including special purpose entities) over which the Group has the power to govern the financial and operating policies generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. The Group also assesses existence of control where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

De-facto control may arise from circumstances where it does not have more than 50% of the voting power but is able to govern the financial and operating policies by virtue of de-facto control.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Profits and losses resulting from inter-company transactions that are recognised in assets are also eliminated. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

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

## 2 Summary of significant accounting policies (continued)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

##### (a) *Business combinations*

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is re-measured to fair value at the acquisition date; any gains or losses arising from such re-measurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with HKAS 39 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Goodwill is initially measured as the excess of the aggregate of the consideration transferred and the fair value of non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in profit or loss.

##### (b) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

## 2 Summary of significant accounting policies (continued)

### 2.2 Subsidiaries (continued)

#### 2.2.1 Consolidation (continued)

##### (c) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

#### 2.2.2 Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost includes direct attributable costs of investment. The results of subsidiaries are accounted for by the company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

### 2.3 Associates

Associates are all entities over which the Group has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting. Under the equity method, the investment is initially recognised at cost, and the carrying amount is increased or decreased to recognise the investor's share of the profit or loss of the investee after the date of acquisition. The Group's investment in associates includes goodwill identified on acquisition.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

The Group's share of post-acquisition profit or loss is recognised in the consolidated income statement, and its share of post-acquisition movements in other comprehensive income is recognised in other comprehensive income with a corresponding adjustment to the carrying amount of the investment. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate.

*For the year ended 31 December 2012  
(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.3 Associates (continued)

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount adjacent to “share of profit/(loss) of an associate” in the consolidated income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the consolidated financial statements only to the extent of unrelated investor’s interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

Dilution gains and losses arising in investments in associates are recognised in the consolidated income statement.

### 2.4 Segment reporting

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 strategy steering committee that makes strategic decisions.

### 2.5 Foreign currency translation

#### (a) Functional and presentation currency

Items included in the financial statements of each of the Group’s entities are measured using the currency of the primary economic environment in which the entity operates (“the functional currency”). The consolidated financial statements are presented in Renminbi (“RMB”), which is the Group’s and the Company’s functional and presentation currency.

#### (b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the consolidated income statement, except when deferred in equity as qualifying cash flow hedges or qualifying net investment hedges.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement within “finance income or cost”. All other foreign exchange gains and losses are presented in the consolidated income statement within “other (losses)/gains – net”.

*For the year ended 31 December 2012  
(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.5 Foreign currency translation (continued)

#### (b) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in the amortised cost are recognised in profit or loss, and other changes in the carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

### 2.6 Service concession arrangements

The Group has entered into contractual service arrangements with local government authorities (the "Grantor") for its participation in the construction, development, financing, operation and maintenance of various toll road infrastructures. Under these arrangements, the Group carries out the construction or upgrade work of toll roads for the granting authorities from the Grantor and receives in exchange of a right to operate the toll roads concerned and entitlement to the toll collection from users of the toll road services (the "Service Concessions"). The Group recorded the assets under the Service Concessions, including toll roads and associated land use rights, as "concession intangible assets" on the consolidated balance sheet, to the extent that it received a right to charge users of the public service. The Group doesn't have obligation to return the assets other than toll roads and associated land use rights to the Grantor at the concession period end.

The Group account for revenue and costs relating to construction or upgrade work under the Service Concessions in accordance with HKAS 11 and account for revenue and costs relating to operation services under the Service Concessions in accordance with HKAS 18. Please refer to Note 2.25(b) and (e) for details.

Concession intangible assets are stated at the fair value of the construction service provided less accumulated amortisation and impairment losses.

The amortisation of concession intangible assets is calculated using the straight-line method to allocate cost over the concession periods granted (Note 1).

Where the carrying amount of the concession intangible assets is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount (Note 2.11).

*For the year ended 31 December 2012  
(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.6 Service concession arrangements (continued)

The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods granted. At the end of concession period, the Group has to return these concession intangible assets to the Grantor at specific conditions required by the law for toll roads. The Group does not have rights to receive specified assets at the end of concession period.

The re-pricing right of above toll roads is owned by the Grantor.

As part of its obligations under the respective Service Concessions, the Group assumes responsibility for maintenance and resurfacing of the toll roads it manages. Please refer to Note 2.23 for details. Other than the aforementioned, the Group does not have obligations to acquire or build items of property, plant and equipment for toll road services.

### 2.7 Property, plant and equipment

Property, plant and equipment are stated at historical cost less accumulated depreciation and impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are expensed in the consolidated income statement during the financial period in which they are incurred.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate cost over their estimated useful lives, after taking into account an estimated residual value, as follows:

Buildings	25 or 30 years
Safety, communication and signalling equipment	10 years
Toll station and ancillary equipment	7 years
Motor vehicles	9 years
Other machinery and equipment	6-9 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the consolidated income statement.

Construction in progress represents property, plant and equipment under construction or installation and is stated at cost less accumulated impairment losses. Construction in progress is not depreciated until such time when the assets are completed and ready for their intended use.

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

## 2 Summary of significant accounting policies (continued)

### 2.8 Investment property

Investment property, principally comprising buildings, is held for long-term rental yields or for capital appreciation or both, and that is not occupied by the Group. It also includes properties that are being constructed or developed for future use as investment properties.

Investment property is initially measured at cost, including related transaction costs and where applicable borrowing costs. After initial recognition, the Group chooses the cost method to measure its investment property. Investment property is stated at cost less accumulated depreciation and accumulated impairment loss.

Depreciation is calculated using the straight-line method to write off the cost of each investment property over its expected useful life, after taking into account an estimated residual value, as follows:

Investment property	25 or 30 years
---------------------	----------------

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.11).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains – net" in the consolidated income statement.

Transfers to, or from, investment property shall be made when, and only when, there is a change in use, evidenced by:

- commencement of owner-occupation, for a transfer from investment property to owner-occupied property; or
- end of owner-occupation, for a transfer from owner-occupied property to investment property.

### 2.9 Intangible assets – acquired computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over their estimated useful lives of five years.

### 2.10 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership exists. The Group acquires the right to use certain land. The lands associated with Service Concessions are recorded as concession intangible assets as described in Note 2.6. For other lands, the premiums paid for such right are treated as prepayment for operating lease and recorded as land use rights and separately presented as non-current assets, which are amortised over the lease period using the straight-line method.



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

## 2 Summary of significant accounting policies (continued)

### 2.11 Impairment of non-financial assets

Assets that have an indefinite useful life or have not ready for use are not subject to amortisation and are tested annually for impairment. Assets that are not subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### 2.12 Financial assets

#### 2.12.1 Classification

The Group only has financial assets in the following categories: loans and receivables and available-for-sale. The classification depends on the purposes for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

##### (a) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for the amounts that are settled or expected to be settled more than 12 months after the end of the reporting period. These are classified as non-current assets. The Group's loans and receivables comprise "trade and other receivables" and "cash and cash equivalents" in the consolidated balance sheet (notes 2.14 and 2.15).

##### (b) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the reporting period.

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.2 Recognition and measurement

Regular way purchases and sales of financial assets are recognised on the trade-date—the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in the consolidated income statement. Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in equity are included in the consolidated income statement as gains and losses from investment securities.

Interest on available-for-sale securities calculated using the effective interest method is recognised in the consolidated income statement as part of other income. Dividends on available-for-sale equity instruments are recognised in the consolidated income statement as part of other income when the Group's right to receive payments is established.

#### 2.12.3 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

#### 2.12.4 Impairment of financial assets

##### (a) *Assets carried at amortised cost*

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred 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 (a "loss event") and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors 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 where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

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

## 2 Summary of significant accounting policies (continued)

### 2.12 Financial assets (continued)

#### 2.12.4 Impairment of financial assets (continued)

**(a) *Assets carried at amortised cost (continued)***

For loans and receivables category, 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) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the consolidated income statement.

**(b) *Assets classified as available-for-sale***

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. For debt securities, the Group uses the criteria referred to in (a) above. In the case of equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is also evidence that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss - measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss - is removed from equity and recognised in profit or loss. Impairment losses recognised in the consolidated income statement on equity instruments are not reversed through the consolidated income statement. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the consolidated income statement.

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(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.13 Inventories

Inventories mainly comprise materials and spare parts for the repair and maintenance of toll roads. The inventories are stated at the lower of cost and net realizable value. Cost is determined using the first-in, first-out (FIFO) method. Net realizable value is determined on the basis of anticipated sales proceeds less estimated selling expenses.

### 2.14 Trade and other receivables

Trade and other receivables are amounts due from customers for operation of pawn business, toll roads and associated service sections. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment.

### 2.15 Cash and cash equivalents

In the consolidated cash flow statement, cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. In the consolidated and Company's balance sheet, bank overdrafts are shown within borrowings in current liabilities.

### 2.16 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.17 Trade and other payables

Trade and other payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers. Trade and other payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

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(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.18 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the consolidated income statement over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

### 2.19 Borrowing costs

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as 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 eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

### 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the consolidated income statement, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case the tax is also recognised in other comprehensive income or directly in equity, respectively.

#### (a) Current income tax

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the countries where the company's subsidiaries and associates operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

## 2 Summary of significant accounting policies (continued)

### 2.20 Current and deferred income tax (continued)

#### (b) Deferred income tax

##### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

##### *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

#### (c) Offsetting

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

### 2.21 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the consolidated income statement over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to assets are included in non-current liabilities as deferred income and are credited to the consolidated income statement on a straight-line basis over the expected lives of the related assets.

*For the year ended 31 December 2012  
(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.22 Employee benefits

Each company of the Group contributes on a monthly basis to defined contribution plans in the PRC based on a percentage of the relevant employee's monthly salaries. The Group's contributions to defined contributions plans are expensed as incurred. The Group has no legal or constructive obligations to pay further contributions even if the schemes do not hold sufficient assets to pay all employees the benefits relating to employee in the current and prior periods.

Additional compensations for employee retirement are recognised in the earlier of the periods in which the Group established a constructive obligation and created a valid expectation on the employee, entered into an agreement with the employee specifying the terms, or after the individual employee has been advised of the specific terms. Details of the Group's retirement benefits are set out in Note 26.

### 2.23 Provisions

Provisions for maintenance and resurfacing of the toll roads are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

### 2.24 Leases (as the lessee for operating leases)

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the consolidated income statement on a straight-line basis over the period of the lease.

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(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.25 Revenue recognition

**(a) Toll income from toll roads operation**

Toll income from toll roads operation is recognised on a receipt basis.

**(b) Revenue from construction and upgrade work under the Service Concessions**

Revenue from construction and upgrade work under the Service Concessions is measured at the fair value of the consideration received or receivable, where total income and expenses associated with the construction contract and the stage of completion can be determined reliably. The stage of completion is measured by reference to the contract costs incurred up to the balance sheet date as a percentage of total estimated costs for each contract.

**(c) Interest income from bank deposits**

Interest income from bank deposits is recognised on a time-proportion basis using the effective interest method.

**(d) Dividend income**

Dividend income is recognised when the right to receive payment is established.

**(e) Service income**

Service income is recognised when the service has been rendered.

**(f) Rental income**

Operating lease rental income is recognised on a straight-line basis over the lease period.

**(g) Interest income from pawn loans to customers**

Interest income from pawn loans to customers is recognised on a time-proportion basis using the effective interest method.

### 2.26 Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders.



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(All amounts in Renminbi thousand unless otherwise stated)*

## 2 Summary of significant accounting policies (continued)

### 2.27 Enterprise Safety Fund

According to the regulations of the PRC, the Group is required to accrue 1% of its toll income as Enterprise Safety Fund from 1 January 2004 onwards unless the accrued balance exceeds 1.5% of toll income of prior year. The fund can only be used for improvements of the safety of its toll roads. Accruals to the fund are treated as an appropriation to reserves, which will be reversed to retained earnings upon utilization.

## 3 Financial risk management

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on the Group's financial performance.

Risk management is carried out by finance department under policies approved by the board of directors. The board provides written principles for overall risk management, as well as written policies covering specific areas, such as credit risk and investment of excess liquidity.

The Group's activities do not expose it to significant foreign exchange risk because it principally operates in the PRC and RMB is the currency of the primary economic environment in which the Group operates.

The Group's activities do not expose it to significant price risk because the Group's investments in available-for-sale financial asset is unquoted equity shares, which is not directly related to the changes in market price of securities. The Group is also not exposed to commodity price risk.

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

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Credit risk

The Group's credit risk mainly arises from deposits with banks and receivables (including pawn loans to customers). The carrying amounts of cash at banks, trade and other receivables represented the Group's maximum exposure in relation to financial assets.

The table below shows the bank deposits balance of the Group as at 31 December 2012 and 2011:

<b>Counterparties</b>	<b>31 December 2012</b>	31 December 2011
Major financial institutes	<u><b>762,828</b></u>	<u>603,215</u>

The Group has policies to place its deposits only with major financial institutions. As at 31 December 2012 and 2011, most of cash were deposited with major financial institutions in Mainland China. The Group's management do not expect any losses from non-performance by these counterparties.

Toll income from toll roads operations are settled in cash.

The Company also has loans to subsidiaries which are exposed to credit risk.

	<b>31 December 2012</b>	31 December 2011
Loans to subsidiaries (Note 12)	<u><b>757,676</b></u>	<u>625,642</u>

The Company's management do not expect any losses from non-performance by the subsidiaries because the financial performance of the subsidiaries is healthy. Please refer to Note 12 for details.

Hefei Wan Tong Pawn Co., Ltd. ("合肥皖通典当有限公司", "Wan Tong Pawn"), the Company's subsidiary, is engaged in pawn business. Wan Tong Pawn's business takes on exposure to credit risk, which is the risk that a counterparty will cause a financial loss for the Group by failing to discharge on obligation. Significant changes in the economy, or in the health of a particular industry segment that represents a concentration in Wan Tong Pawn's portfolio, could result in losses that are different from those provided for at the balance sheet date. Management therefore carefully manages its exposure to above credit risk. Wan Tong Pawn's credit exposures arise principally from pawn loans to customers.

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

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Credit risk (continued)

Wan Tong Pawn employs a range of policies and practices to mitigate the credit risk. For Wan Tong Pawn's business, the most traditional of these is the taking of specific classes of collateral from customers. The principal collateral types for pawn loans to customers are:

- Real estate;
- Equity instruments, mainly equity interest in unlisted companies which are typically related to the borrowers; and
- Personal properties and other property rights.

All pawn loans granted are backed by collateral as security. Wan Tong Pawn also focuses on ascertaining legal ownership and the valuation of the real estate collaterals. A loan granted is based on the value of the collaterals. Wan Tong Pawn monitors the value of the collaterals throughout the loan period.

Further to collateral held as security for pawn loans, Wan Tong Pawn introduces other credit enhancement measures for equity interest backed loans, primarily third party guarantee against the security of loan repayment, taking into consideration the borrower's repayment ability, repayment records, collateral status, financial performance, industry outlook and competition, etc.

Impairment provisions are recognised for financial reporting purposes only for losses that have incurred at the balance sheet date based on objective evidence of impairment.

The table below shows Wan Tong Pawn's gross amount of loans to customers and the associated impairment allowances by collateral type:

	<b>31 December 2012</b>	31 December 2011
Pawn loans to customers		
– Real estate backed pawn loans	<b>122,783</b>	—
– Equity interest backed pawn loans	<b>50,462</b>	—
– Personal properties backed pawn loans	<b>450</b>	—
	<b>173,695</b>	—
Less: Impairment allowances		
– Real estate backed pawn loans	<b>(1,260)</b>	—
– Equity interest backed pawn loans	<b>(515)</b>	—
– Personal properties backed pawn loans	<b>(5)</b>	—
	<b>(1,780)</b>	—
	<b>171,915</b>	—

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

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Credit risk (continued)

Wan Tong Pawn's management determines whether objective evidence of impairment exists, based on the criteria set out as following:

- Delinquency in contractual payments of principal or interest;
- Cash flow difficulties experienced by the borrower;
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Filing of a lawsuit against the borrower.

Wan Tong Pawn's credit risk management policies require the review of individual outstanding loans secured by real estate, equity interest and personal properties collateral at least semi-annually or more regularly when individual circumstances require. Impairment allowances on individually assessed accounts are determined by an evaluation of the incurred loss at balance sheet date on a case-by-case basis. The assessment normally encompasses collateral held and the anticipated receipts for that individual account, taking into account the borrower's repayment ability, repayment records, collateral status, financial performance, industry outlook and competition, and the financial standing of the third party guarantor, etc.

Collectively assessed impairment allowances are provided for: (i) portfolios of outstanding loans that have been individually assessed with no objective evidence of impairment by homogenous collateral type; and (ii) losses that have been incurred but have not yet been identified, by using the available historical experience, experienced judgment and statistical techniques.

Maximum exposure to credit risk before collateral held or other credit enhancements are as follows:

	<b>31 December 2012</b>	31 December 2011
Pawn loans to customers:		
– Real estate backed pawn loans	<b>122,783</b>	—
– Equity interest backed pawn loans	<b>50,462</b>	—
– Personal properties backed pawn loans	<b>450</b>	—
	<b>173,695</b>	—

The above table represents a worse case scenario of credit risk exposure to the Wan Tong Pawn, without taking into account of any collateral held for or other credit enhancements attached. The exposures set out above for assets are based on net carrying amounts as reported in the consolidated balance sheet.

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

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (a) Credit risk (continued)

Pawn loans to customers are summarised as follows:

	31 December 2012	31 December 2011
Neither past due nor impaired (i)	173,695	—
Past due but not impaired	—	—
Impaired	—	—
	<hr/>	<hr/>
	173,695	—
Less: Impairment allowances	(1,780)	—
	<hr/>	<hr/>
	171,915	—

##### (i) Pawn loans to customers neither past due nor impaired

Pawn loans to customers that are neither past due nor impaired related to a wide range of customers for whom there was no recent history of default.

##### (b) Liquidity risk

The Group's toll road income is settled in cash.

The liquidity risk of the Group is controlled by maintaining sufficient cash and cash equivalents, together with adequate bank facilities disclosed in Note 22.

The table below analyses the Group's and the Company's financial liabilities into relevant maturity groupings based on the remaining period at the consolidated balance sheet and balance sheet to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

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(All amounts in Renminbi thousand unless otherwise stated)

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Liquidity risk (continued)

	Less than 1 year	Between 1 and 3 years	Over 3 and 5 years	Over 5 years
<b>Group</b>				
<b>At 31 December 2012</b>				
Bank borrowings, including interest (Note 22)	130,778	124,300	46,500	535,462
Corporate bonds, including interest (Note 22)	100,000	2,100,000	—	—
Trade and other payables, excluding other taxation payables, staff salaries and welfare, current portion of long-term payables and interest payable (Note 21)	660,350	—	—	—
Long-term payables, including interest and current portion (Note 24)	<u>34,010</u>	<u>85,476</u>	<u>102,932</u>	<u>685,206</u>
<b>At 31 December 2011</b>				
Bank borrowings, including interest (Note 22)	113,066	139,090	93,245	451,559
Corporate bonds, including interest (Note 22)	100,000	2,200,000	—	—
Trade and other payables, excluding other taxation payables, staff salaries and welfare, current portion of long-term payables and interest payable (Note 21)	580,372	—	—	—
Long-term payables, including interest and current portion (Note 24)	<u>13,547</u>	<u>68,760</u>	<u>90,136</u>	<u>407,940</u>

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

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (b) Liquidity risk (continued)

	Less than 1 year	Between 1 and 3 years	Over 3 and 5 years	Over 5 years
<b>Company</b>				
<b>At 31 December 2012</b>				
Bank borrowings, including interest (Note 22)	66,636	—	—	—
Corporate bonds, including interest (Note 22)	100,000	2,100,000	—	—
Trade and other payables, excluding other taxation payables, interest payable and staff salaries and welfare (Note 21)	292,911	—	—	—
	<u>292,911</u>	<u>—</u>	<u>—</u>	<u>—</u>
<b>At 31 December 2011</b>				
Corporate bonds, including interest (Note 22)	100,000	2,200,000	—	—
Trade and other payables, excluding other taxation payables, interest payable and staff salaries and welfare (Note 21)	349,808	—	—	—
	<u>349,808</u>	<u>—</u>	<u>—</u>	<u>—</u>

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(All amounts in Renminbi thousand unless otherwise stated)*

### 3 Financial risk management (continued)

#### 3.1 Financial risk factors (continued)

##### (c) Cash flow and fair value interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group's interest rate risk mainly arises from pawn loans to customers, bank borrowings, corporate bonds and long-term payables.

Pawn loans to customers bearing fixed interest rate expose the Group to fair value interest risk. Contractual interest rate re-pricing is matched with maturity date of each pawn loan granted to customer. As at 31 December 2012, maturity dates of pawn loans to customers are all within six months. Therefore the fair value of pawn loans to customers approximated their carrying amount.

Bank borrowings issued at floating rates expose the Group to cash flow interest rate risk. During 2012 and 2011, the Group's bank borrowings at floating rate were denominated in RMB. The Group's bank borrowings to the extent of RMB 575,350 thousand (2011: RMB 484,100 thousand) were issued at floating rates. As at 31 December 2012, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 1,865 thousand (2011: RMB 1,838 thousand) higher or lower.

The Group's corporate bonds were issued at fixed rate and expose the Group to fair value interest risk. The fair value of the corporate bonds is disclosed in Note 22.

The Group's long-term payables of RMB 15,000 thousand were at floating rate and expose the Group to cash flow interest rate risk. As at 31 December 2012, if the interest rates had increased or decreased by 0.5%, the finance costs would have been approximately RMB 75 thousand (2011: RMB 75 thousand ) higher or lower. The Group's long-term payables of RMB 508,044 thousand (including current portion of long-term payables) were interest free and expose the Group to fair value interest rate risk. The fair value of long-term payables is disclosed in Note 24.

#### 3.2 Capital risk management

The primary objective of the Group's capital management is to safeguard each entity within the Group's ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders.

The Group manages the capital structure and makes adjustments to it in the light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of issue new shares or control the capital expenditures to reduce debts.



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(All amounts in Renminbi thousand unless otherwise stated)

### 3 Financial risk management (continued)

#### 3.2 Capital risk management (continued)

The Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including current and non-current borrowings as shown in the consolidated balance sheet) less cash and cash equivalents. Total capital is calculated as "equity", as shown in the consolidated balance sheet, plus net debt.

The Group's strategy is to maintain a gearing ratio below 30% and an AAA credit rating. The gearing ratio of the Group at 31 December 2012 and 2011 were as follows:

	<b>31 December 2012</b>	31 December 2011
Total borrowings (Note 22)	<b>2,563,126</b>	2,466,223
Less: cash and cash equivalents (Note 17)	<b>(762,838)</b>	(603,223)
Net debts	<b>1,800,288</b>	1,863,000
Total equity	<b>7,420,487</b>	6,846,699
Total capital	<b>9,220,775</b>	8,709,699
Gearing ratio	<b>19.52%</b>	21.39%

#### 3.3 Fair value estimation

The Group adopted the amendment to HKFRS 7 for financial instruments that are measured in the balance sheet at fair value, this requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

As at 31 December 2012, the Group did not have financial instruments that were measured at fair value.

The nominal value less impairment provision of trade and other receivables, trade and other payables and current borrowings are assumed to approximate their fair values due to short period of maturity dates. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Group for similar financial instruments.

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#### 4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated by the management of the Group and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The management makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that might have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:

##### (a) Construction revenue recognition under Service Concessions

As described in Note 2.6, income and expenses associated with construction and upgrade work under the Service Concessions are recognised in accordance with HKAS 11 using the percentage of completion method.

Due to the fact that all construction activities are sub-contracted to third parties and the Group only performs project management, and there was no real cash flow realised or realisable during the construction phase of the infrastructure during the Service Concessions, in order to determine the construction revenue to be recognised during the reporting period, the management made estimates of the respective amounts by making reference to project management service fees in return as if the Group were providing rendered project management services for construction of toll roads for respective PRC local governments without the corresponding grants of the toll road operating rights and entitlement to future toll revenues. Accordingly, construction revenue under the respective Service Concessions is recognised at the total expected construction costs of the related toll roads plus management fees, computed at a percentage of the project management costs.

In ascertaining the total construction costs, the directors made estimates based on information available such as budgeted project costs, actual project costs incurred/settled to date, and relevant third party evidence such as signed construction contracts and their supplements, the related variation orders placed and the underlying construction and design plans, etc. In ascertaining the amount of management fees, the management has made reference to the practice for determining management fees for managing construction contracts transacted by similar toll roads companies in Anhui Province, whereby the fee is determined based on certain percentage of actual management cost incurred of each project, according to the scale and size of the respective projects. The management of the Group believes the profit arising from the project management is very low due to sharp competition in local project management market. They also believe the situation of low margin will continue in future years. Thus, the profit from construction activities was not recognised in reporting periods.

The management of the Group consider that these are their current best estimates on the magnitude of construction revenue and related profits. If the magnitudes of the final construction costs and the management fee applied as a percentage of the project management cost were to be differed from management's current estimates, the Group would account for the change prospectively.

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#### 4 Critical accounting estimates and judgements (continued)

##### (b) Provision for maintenance obligations

As described in Note 2.6, the Group has contractual obligations under the Service Concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrade services, are to be recognised and measured as a provision. Provision for maintenance obligations at 31 December 2012 of RMB 6,826 thousand had been provided at the present value of expenditures expected to be incurred by the Group to settle the obligations at the balance sheet date (Note 23).

The expenditures expected to be required to settle the obligations at the balance sheet date is determined based on the number of major maintenance and resurfacing to be undertaken throughout the allowed operating periods of each 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 to take place involve estimates made by the management of the Company, which were developed based on the Group's resurfacing plan and historical costs incurred for similar activities. In addition, the directors are of the view that the discount rate currently used in the current estimate reflects the time value of money and the risks specific to the obligations.

If the expected expenditures, resurfacing plan and discount rate were different from management's current estimates, the change in provision for maintenance obligations is required to be accounted for prospectively.

##### (c) Estimation of useful lives of property, plant and equipment

The Group's management determines the estimated useful lives for its property, plant and equipment. The estimate is based on the historical experience of the actual useful lives.

Management will revise the depreciation charges where useful lives are different to previously estimated, or it will write off or write down technically obsolete or non-strategy assets that have been abandoned or sold.

##### (d) Estimation of amortisation periods of concession intangible assets

The Group amortises the concession intangible assets using the straight-line method over the concession periods granted (Note 1). The concession periods are approved by the Grantor therefore the Group does not have renewal or termination option for the concession periods.

If the Grantor requires to extend or shorten the concession periods, management will revise the amortisation charges which are different to previously calculated, or recognise an impairment loss, if any.

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#### 4 Critical accounting estimates and judgements (continued)

##### (e) Estimation of deferred income tax assets and income tax

The Group's management determines the deferred tax assets based on the enacted or substantially enacted tax rates and laws and best knowledge of profit projections of the Group for coming years during which the deferred tax assets are expected to be utilized. Management revisits the assumptions and profit projections by the balance sheet date. If the final assumptions and profit were to be differed from management's current estimates, the Group would account for the change prospectively.

There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the current income tax and deferred income tax provisions in the year in which such determination is made.

##### (f) Estimation of payment schedule of long-term payables

The non-controlling interests provided financing to the Group in the form of long-term loans. The annual repayment of the long-term loans equals certain percentage of annual amortisation of the concession intangible assets and depreciation of property, plant and equipment. Management estimated the annual amortisation of the concession intangible assets and depreciation of property, plant and equipment by reference to the carrying amount of long-term assets and future capital expenditure. If the actual amortisation and depreciation amount was to be differed from management's current estimates, the Group would account for the change prospectively.

##### (g) Impairment allowances on pawn loans to customers

The Group reviews its loan portfolios to assess impairment at least on a semi-annual basis. In determining whether an impairment loss should be recorded in the profit or loss, the Group makes judgments as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be identified with an individual loan in that portfolio. This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group (e.g. payment delinquency or default), or local economic conditions that correlate with defaults on assets in a group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

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(All amounts in Renminbi thousand unless otherwise stated)*

## 5 Segment information

The strategic steering committee is the Group's chief operating decision-maker. Management has determined the operating segments based on the information reviewed by the strategic steering committee for the purposes of allocating resources and assessing performance.

The strategic steering committee considers the business from a service perspective, and assesses the performance of the business segment based on profit before income tax, which is consistent with that in the income statement.

The amount provided to the strategic steering committee with respect to total assets is measured in a manner consistent with that of the balance sheet. These assets are allocated based on the operation of segments.

The amount provided to the strategic steering committee with respect to total liabilities is measured in a manner consistent with that of the balance sheet. These liabilities are allocated based on the operation of segments.

The Group's operations are mainly organized under the following business segments:

- Toll roads services, including construction, operation, management and development of toll roads; and
- Pawn services, including pawn loan services.

### (a) Revenue

There is no transaction between segments. The revenue from external parties reported to the strategic steering committee is measured in a manner consistent with that in the income statement.

The revenue of the Group for the years ended 31 December 2012 and 2011 are set out as follows:

	<b>Year ended 31 December</b>	
	<b>2012</b>	2011
Toll roads services	<b>3,108,021</b>	3,052,074
Pawn services	<b>14,329</b>	—
	<b><u>3,122,350</u></b>	<u>3,052,074</u>

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

## 5 Segment information (continued)

### (b) Segment information

The segment information provided to the strategic steering committee for the reportable segments for the year ended 31 December 2012 is as follows:

	For the year ended 31 December 2012		
	Toll roads services	Pawn services	Total
<b>Revenue</b>			
Segment revenue	3,108,021	14,329	3,122,350
Inter-segment sales	—	—	—
Revenue from external customers	<u>3,108,021</u>	<u>14,329</u>	<u>3,122,350</u>
<b>Results</b>			
Segment gross profit	<u>1,290,459</u>	<u>13,522</u>	<u>1,303,981</u>
Other gains – net	3,502	1,093	4,595
Administrative expenses	(77,562)	(4,283)	(81,845)
Finance costs	(135,777)	—	(135,777)
Share of profits of associates	12,031	—	12,031
Profit before income tax	<u>1,092,653</u>	<u>10,332</u>	<u>1,102,985</u>
<b>Other information</b>			
Amortisation of concession intangible assets	454,288	—	454,288
Depreciation of property, plant and equipment	82,728	39	82,767
Depreciation of investment property	14,761	—	14,761
Amortisation of land use rights	686	—	686
Amortisation of intangible assets	945	—	945

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(All amounts in Renminbi thousand unless otherwise stated)*

## 5 Segment information (continued)

### (b) Segment information (continued)

	As at 31 December 2012		
	Toll roads services	Pawn services	Total
Total assets	<u>11,226,738</u>	<u>220,776</u>	<u>11,447,514</u>
Total liabilities	<u>4,023,994</u>	<u>3,033</u>	<u>4,027,027</u>

The Group started to operate pawn business from 2012 and only operated toll roads services under one operating and reportable segment in 2011. Therefore, the Company did not prepare segment information for the year ended 31 December 2011.

### (c) Geographical segments

The Group is domiciled in Anhui Province, the PRC. The result of its revenue is from Anhui Province, the PRC. As at 31 December 2012 and 2011, total assets of the Group are located in the PRC.

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

## 6 Concession intangible assets

<b>Group</b>	<b>31 December 2012</b>	31 December 2011
Cost	<b>12,660,227</b>	11,796,632
Accumulated amortisation	<b>(3,813,141)</b>	(3,365,875)
Net book amount	<b>8,847,086</b>	8,430,757
	<b>Year ended 31 December 2012</b>	Year ended 31 December 2011
Opening net book amount	<b>8,430,757</b>	8,083,346
Additions	<b>899,842</b>	715,075
Disposals	<b>(1,660)</b>	—
Transfer in from property, plant and equipment (Note 8)	—	49,783
Transfer out to property, plant and equipment (Note 8)	<b>(27,565)</b>	—
Transfer out to investment property (Note 9)	—	(431)
Amortisation charges (Note 29)	<b>(454,288)</b>	(417,016)
Closing net book amount	<b>8,847,086</b>	8,430,757
<b>Company</b>	<b>31 December 2012</b>	31 December 2011
Cost	<b>9,161,457</b>	9,155,067
Accumulated amortisation	<b>(3,237,523)</b>	(2,841,565)
Net book amount	<b>5,923,934</b>	6,313,502
	<b>Year ended 31 December 2012</b>	Year ended 31 December 2011
Opening net book amount	<b>6,313,502</b>	6,619,785
Additions	<b>6,390</b>	55,774
Amortisation charges	<b>(395,958)</b>	(362,057)
Closing net book amount	<b>5,923,934</b>	6,313,502



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

## 6 Concession intangible assets (continued)

As at 31 December 2012 and 2011, the toll roads under the Service Concessions and their respective concession periods granted are disclosed in Note 1.

All of the Group's lands under the Service Concessions are located in Anhui Province, the PRC and are held on lease terms of 25 to 30 years from the dates of acquisition, and expiring from 2026 to 2032.

Borrowing costs with the amount of RMB 28,202 thousand (2011: RMB 18,514 thousand), including amortisation of long-term payables to non-controlling interests with the amount of RMB 4,960 thousand (2011: RMB 2,528 thousand) (Note 24), have been capitalised in 2012 at an average interest rate of 5.2656% (2011: 5.5934%).

Amortisation expenses of RMB 454,288 thousand has been charged in "cost of sales" (2011: RMB 417,016 thousand).

As at 31 December 2012, certain land use right certificates for Ninghuai expressway Tianchang section, Hening expressway, Ningxuanhang expressway Anhui section and one toll station in Guangde have not yet been obtained.

As at 31 December 2012, concession intangible assets with a carrying amount of approximately RMB 260,050 thousand (a cost of RMB 353,589 thousand) (31 December 2011: a carrying amount of RMB 275,732 thousand and a cost of RMB 353,589 thousand) have been pledged as collateral for bank borrowings of RMB 102,150 thousand (31 December 2011: RMB 136,200 thousand) (Note 22 (b)).

## 7 Land use rights

The Group's and the Company's interests in land use rights represented prepaid operating lease payments and their net book value are analysed as follows:

<b>Group and Company</b>	<b>31 December 2012</b>	31 December 2011
Cost	<b>17,790</b>	17,790
Accumulated amortisation	<b>(7,146)</b>	(6,460)
Net book amount	<b>10,644</b>	11,330
	<b>Year ended 31 December 2012</b>	Year ended 31 December 2011
Opening net book amount	<b>11,330</b>	12,389
Amortisation charges (Note 29)	<b>(686)</b>	(1,059)
Closing net book amount	<b>10,644</b>	11,330

All of the Group's land use rights are located in Anhui Province, the PRC and are held on lease terms of 30 years from the dates of acquisition, and expiring in 2026.

Amortisation expenses of RMB 686 thousand has been charged in "cost of sales" (2011: RMB 1,059 thousand).

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

## 8 Property, plant and equipment

### Group

	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
<b>At 1 January 2011</b>							
Cost	457,608	448,834	111,412	74,066	81,527	253,019	1,426,466
Accumulated depreciation	(102,305)	(298,303)	(62,465)	(45,955)	(61,963)	—	(570,991)
Net book value	<u>355,303</u>	<u>150,531</u>	<u>48,947</u>	<u>28,111</u>	<u>19,564</u>	<u>253,019</u>	<u>855,475</u>
<b>Year ended 31 December 2011</b>							
Opening net book amount	355,303	150,531	48,947	28,111	19,564	253,019	855,475
Additions	11,843	116,208	195	4,148	4,645	160,524	297,563
Disposals	—	(7,068)	(325)	(534)	(166)	—	(8,093)
Transfers	275,962	17,175	7,492	—	41,796	(342,425)	—
Transfer out to concession intangible assets (Note 6)	—	—	—	—	—	(49,783)	(49,783)
Transfer in from investment property (Note 9)	3,459	—	—	—	—	—	3,459
Transfer out to investment property (Note 9)	(183,624)	—	—	—	—	—	(183,624)
Depreciation (Note 29)	(13,219)	(61,108)	(12,891)	(6,406)	(10,370)	—	(103,994)
Closing net book amount	<u>449,724</u>	<u>215,738</u>	<u>43,418</u>	<u>25,319</u>	<u>55,469</u>	<u>21,335</u>	<u>811,003</u>
<b>At 31 December 2011</b>							
Cost	517,097	561,770	117,925	77,215	125,969	21,335	1,421,311
Accumulated depreciation	(67,373)	(346,032)	(74,507)	(51,896)	(70,500)	—	(610,308)
Net book value	<u>449,724</u>	<u>215,738</u>	<u>43,418</u>	<u>25,319</u>	<u>55,469</u>	<u>21,335</u>	<u>811,003</u>
<b>Year ended 31 December 2012</b>							
Opening net book amount	449,724	215,738	43,418	25,319	55,469	21,335	811,003
Additions	23,520	13	491	6,952	4,795	34,826	70,597
Disposals	(264)	—	—	(217)	(84)	—	(565)
Transfers	—	2,906	6,427	—	676	(10,009)	—
Transfer in from concession intangible assets (Note 6)	13,227	9,483	—	—	4,855	—	27,565
Transfer in from investment property (Note 9)	2,306	—	—	—	—	—	2,306
Transfer out to investment property (Note 9)	(136,298)	—	—	—	—	—	(136,298)
Depreciation (Note 29)	(9,744)	(42,364)	(10,723)	(5,982)	(13,954)	—	(82,767)
Closing net book amount	<u>342,471</u>	<u>185,776</u>	<u>39,613</u>	<u>26,072</u>	<u>51,757</u>	<u>46,152</u>	<u>691,841</u>
<b>At 31 December 2012</b>							
Cost	416,882	575,520	124,843	79,053	136,631	46,152	1,379,081
Accumulated depreciation	(74,411)	(389,744)	(85,230)	(52,981)	(84,874)	—	(687,240)
Net book value	<u>342,471</u>	<u>185,776</u>	<u>39,613</u>	<u>26,072</u>	<u>51,757</u>	<u>46,152</u>	<u>691,841</u>

Depreciation expenses of RMB 70,744 thousand has been charged in “cost of sales” (2011: RMB 96,202 thousand); depreciation expenses of RMB 12,023 thousand has been charged in “administrative expenses” (2011: RMB 7,792 thousand).

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(All amounts in Renminbi thousands unless otherwise stated)

## 8 Property, plant and equipment (continued)

### Company

	Buildings	Safety, Communication and signalling equipment	Toll station and ancillary equipment	Motor Vehicles	Other machinery and equipment	Construction In progress	Total
<b>At 1 January 2011</b>							
Cost	459,312	418,433	94,835	66,809	84,354	226,338	1,350,081
Accumulated depreciation	(102,045)	(279,166)	(57,487)	(41,446)	(64,527)	—	(544,671)
Net book value	<u>357,267</u>	<u>139,267</u>	<u>37,348</u>	<u>25,363</u>	<u>19,827</u>	<u>226,338</u>	<u>805,410</u>
<b>At 31 December 2011</b>							
Opening net book amount	357,267	139,267	37,348	25,363	19,827	226,338	805,410
Additions	11,843	116,208	195	2,693	4,030	118,050	253,019
Disposals	—	(217)	(325)	(411)	(162)	—	(1,115)
Transfers	274,929	1,624	6,259	—	41,486	(324,298)	—
Transfer in from investment property (Note 9)	3,459	—	—	—	—	—	3,459
Transfer out to investment property (Note 9)	(178,717)	—	—	—	—	—	(178,717)
Depreciation	(13,757)	(55,391)	(11,281)	(5,725)	(10,847)	—	(97,001)
Closing net book amount	<u>455,024</u>	<u>201,491</u>	<u>32,196</u>	<u>21,920</u>	<u>54,334</u>	<u>20,090</u>	<u>785,055</u>
<b>At 31 December 2011</b>							
Cost	526,177	535,841	100,115	68,676	127,887	20,090	1,378,786
Accumulated depreciation	(71,153)	(334,350)	(67,919)	(46,756)	(73,553)	—	(593,731)
Net book value	<u>455,024</u>	<u>201,491</u>	<u>32,196</u>	<u>21,920</u>	<u>54,334</u>	<u>20,090</u>	<u>785,055</u>
<b>Year ended 31 December 2012</b>							
Opening net book amount	455,024	201,491	32,196	21,920	54,334	20,090	785,055
Additions	23,520	13	1,091	5,135	3,716	24,533	58,008
Disposals	—	—	—	(120)	(76)	—	(196)
Transfers	—	2,906	6,427	—	676	(10,009)	—
Transfer in from investment property (Note 9)	606	—	—	—	—	—	606
Transfer out to investment property (Note 9)	(136,298)	—	—	—	—	—	(136,298)
Depreciation	(10,568)	(38,071)	(9,869)	(5,333)	(13,622)	—	(77,463)
Closing net book amount	<u>332,284</u>	<u>166,339</u>	<u>29,845</u>	<u>21,602</u>	<u>45,028</u>	<u>34,614</u>	<u>629,712</u>
<b>At 31 December 2012</b>							
Cost	407,326	538,760	107,633	70,403	131,734	34,614	1,290,470
Accumulated depreciation	(75,042)	(372,421)	(77,788)	(48,801)	(86,706)	—	(660,758)
Net book value	<u>332,284</u>	<u>166,339</u>	<u>29,845</u>	<u>21,602</u>	<u>45,028</u>	<u>34,614</u>	<u>629,712</u>

Depreciation expenses of RMB 65,521 thousand has been charged in “cost of sales” (2011: RMB 89,209 thousand); depreciation expenses of RMB 11,942 thousand has been charged in “administrative expenses” (2011: RMB 7,792 thousand).

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(All amounts in Renminbi thousands unless otherwise stated)

## 9 Investment property

### Group

	<b>Buildings</b>
<b>At 1 January 2011</b>	
Cost	42,593
Accumulated amortisation	(8,663)
Net book amount	<u>33,930</u>
<b>Year ended 31 December 2011</b>	
Opening net book amount	33,930
Transferred in from concession intangible assets (Note 6)	431
Transferred in from property, plant and equipment (Note 8)	183,624
Transferred out to property, plant and equipment (Note 8)	(3,459)
Amortisation expenses (Note 29)	(7,653)
Closing net book amount	<u>206,873</u>
<b>At 31 December 2011</b>	
Cost	271,501
Accumulated amortisation	(64,628)
Net book amount	<u>206,873</u>
<b>Year ended 31 December 2012</b>	
Opening net book amount	<b>206,873</b>
Transferred in from property, plant and equipment (Note 8)	<b>136,298</b>
Transferred out to property, plant and equipment (Note 8)	<b>(2,306)</b>
Amortisation expenses (Note 29)	<b>(14,761)</b>
Closing net book amount	<u><b>326,104</b></u>
<b>At 31 December 2012</b>	
Cost	<b>411,674</b>
Accumulated amortisation	<b>(85,570)</b>
Net book amount	<u><b>326,104</b></u>

Amortisation expenses of RMB 14,761 thousand has been charged in “cost of sales” (2011: RMB 7,653 thousand).

The fair value for the investment property as at 31 December 2012 was RMB 427,886 thousand. The fair value was based on an independent assessment made by Anhui Guoxin Assets Valuation Company Limited (“安徽國信資產評估有限責任公司”).

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(All amounts in Renminbi thousands unless otherwise stated)

## 9 Investment property (continued)

### Company

	<b>Buildings</b>
<b>At 1 January 2011</b>	
Cost	35,826
Accumulated amortisation	(6,856)
Net book amount	<u>28,970</u>
<b>Year ended 31 December 2011</b>	
Opening net book amount	28,970
Transferred in from property, plant and equipment (Note 8)	178,717
Transferred out to property, plant and equipment (Note 8)	(3,459)
Amortisation expenses	(7,453)
Closing net book amount	<u>196,775</u>
<b>At 31 December 2011</b>	
Cost	255,734
Accumulated amortisation	(58,959)
Net book amount	<u>196,775</u>
<b>Year ended 31 December 2012</b>	
Opening net book amount	<b>196,775</b>
Transferred in from property, plant and equipment (Note 8)	<b>136,298</b>
Transferred out to property, plant and equipment (Note 8)	<b>(606)</b>
Amortisation expenses	<b>(13,773)</b>
Closing net book amount	<b><u>318,694</u></b>
<b>At 31 December 2012</b>	
Cost	<b>398,105</b>
Accumulated amortisation	<b>(79,411)</b>
Net book amount	<b><u>318,694</u></b>

Amortisation expenses of RMB 13,773 thousand has been charged in “cost of sales” (2011: RMB 7,453 thousand).

The fair value for the investment property as at 31 December 2012 was RMB 416,715 thousand. The fair value was based on an independent assessment made by Anhui Guoxin Assets Valuation Company Limited (“安徽國信資產評估有限責任公司”).

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(All amounts in Renminbi thousands unless otherwise stated)

## 10 Intangible assets

### Group

	<b>Computer Software</b>
<b>At 1 January 2011</b>	
Cost	3,377
Accumulated amortisation	(1,577)
Net book amount	<u>1,800</u>
<b>Year ended 31 December 2011</b>	
Opening net book amount	1,800
Additions	1,193
Disposals	(10)
Amortisation expenses (Note 29)	(616)
Closing net book amount	<u>2,367</u>
<b>At 31 December 2011</b>	
Cost	3,887
Accumulated amortisation	(1,520)
Net book amount	<u>2,367</u>
<b>Year ended 31 December 2012</b>	
Opening net book amount	2,367
Additions	1,104
Amortisation expenses (Note 29)	(945)
Closing net book amount	<u>2,526</u>
<b>At 31 December 2012</b>	
Cost	4,991
Accumulated amortisation	(2,465)
Net book amount	<u>2,526</u>

Amortisation expenses of RMB 945 thousand has been charged in “administrative expenses” (2011: RMB 616 thousand).

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(All amounts in Renminbi thousands unless otherwise stated)

## 10 Intangible assets (continued)

### Company

	Computer Software
<b>At 1 January 2011</b>	
Cost	160
Accumulated amortisation	(33)
Net book amount	<u>127</u>
<b>Year ended 31 December 2011</b>	
Opening net book amount	127
Additions	1,074
Amortisation expenses	(361)
Closing net book amount	<u>840</u>
<b>At 31 December 2011</b>	
Cost	1,234
Accumulated amortisation	(394)
Net book amount	<u>840</u>
<b>Year ended 31 December 2012</b>	
Opening net book amount	<b>840</b>
Additions	<b>439</b>
Amortisation expenses	<b>(621)</b>
Closing net book amount	<u><b>658</b></u>
<b>At 31 December 2012</b>	
Cost	<b>1,673</b>
Accumulated amortisation	<b>(1,015)</b>
Net book amount	<u><b>658</b></u>

Amortisation expenses of RMB 621 thousand has been charged in “administrative expenses” (2011: RMB 361 thousand).

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(All amounts in Renminbi thousands unless otherwise stated)

## 11 Investments in subsidiaries – Company

	<b>31 December 2012</b>	31 December 2011
Investments, at cost:		
Unlisted shares	<b>653,912</b>	225,014

The following is a list of the subsidiaries at 31 December 2012:

Name	Place of incorporation and kind of legal entity	Principal activities and place of operation	Paid in, issued and fully paid share capital (RMB'000)	Interest directly held by the Company (%)
Xuan Guang Expressway Company Limited ("宣廣高速公路有限責任公司", "Xuan Guang") (a)	PRC, limited liability company	Management and operation of expressway in Anhui province, PRC	111,760	55.47%
Anhui Ningxuanhang Expressway Investment Company Limited ("安徽寧宣杭高速公路 投資有限公司", "Ningxuanhang") (b)	PRC, limited liability company	Management and operation of expressway in Anhui province, PRC	300,000	51.00%
Guangci (c)	PRC, limited liability company	Management and operation of expressway in Anhui province, PRC	56,800	55.47%
Wan Tong Pawn (d)	PRC, limited liability company	Pawn, small loan and related services in Anhui province, PRC	210,000	71.43%



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

## 11 Investments in subsidiaries – Company (continued)

The movement of the investments in subsidiaries of the Company is as follows:

	2012				Total
	Xuan Guang (Note a)	Ningxuanhang (Note b)	Guangci (Note c)	Wan Tong Pawn (Note d)	
Balance at 1 January 2012	61,995	163,019	—	—	225,014
Changes in the year	—	169,762	109,136	150,000	428,898
Balance at 31 December 2012	<u>61,995</u>	<u>332,781</u>	<u>109,136</u>	<u>150,000</u>	<u>653,912</u>

	2011		Total
	Xuan Guang (Note a)	Ningxuanhang (Note b)	
Balance at 1 January 2011	61,995	99,207	161,202
Changes in the year	—	63,812	63,812
Balance at 31 December 2011	<u>61,995</u>	<u>163,019</u>	<u>225,014</u>

### (a) Investment in Xuan Guang

Xuan Guang is a co-operative joint venture established by the Company and Xuancheng Communication Investment Co., Ltd. (“宣城市交通投资有限公司”, “XCIC”, formerly named “Xuancheng Highway Management Company”) in July 1998 with an operating period of 30 years. The Company invested in total RMB 366,600 thousand in Xuan Guang, in the forms of capital contribution of RMB 36,660 thousand and long term loan of RMB 329,940 thousand. Long-term loan represented the Company’s share of the total investment in Xuan Guang in excess of the Company’s share of its registered capital. It was free of interest charge. According to the joint venture contract, annual distribution (the “distribution”) equalling net profit plus amortisation of its concession intangible assets and depreciation of its fixed assets (the “amortisation and depreciation”) are to be made wholly to the Company till the total distribution received by the Company equal to its total investment in Xuan Guang. Thereafter, the distribution will be shared by the Company and XCIC in proportion to their respective contributions to Xuan Guang’s registered capital. The net profit portion of the distribution received is accounted for as dividend income while the amortisation and depreciation and amortisation portion of the distribution received is accounted for as repayments to the long term loan advanced to Xuan Guang.

Pursuant to a capital injection contract between the Company and XCIC dated 11th August 2003, XCIC contributed Xuanguang Expressway (Nanhuan section) to Xuan Guang at an agreed price of RMB 398,800 thousand in the form of capital contribution of RMB 39,880 thousand and long-term loan of RMB 358,920 thousand. The long-term loan was interest free as well.

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## 11 Investments in subsidiaries – Company (continued)

### (a) Investment in Xuan Guang (continued)

Pursuant to a share transfer agreement dated 11 September 2003 subsequently entered into by the Company and XCIC, the Company acquired XCIC's interests in Xuan Guang (in the forms of paid-in-capital of RMB 25,335 thousand and shareholder's loan of RMB 228,015 thousand) at a total consideration of RMB 253,350 thousand. After the acquisition, the Company holds 55.47% interest in Xuan Guang. The profit distribution arrangement of Xuan Guang mentioned above remains unchanged.

In 2007, pursuant to a resolution at the Board of Directors' 9th meeting of Xuan Guang, cash repayment amount with respect to depreciation and amortisation portion of the distribution was determined to repay the short term borrowings of Xuan Guang in priority before settlement of long-term payables to the Company and XCIC since 2007, until the short term borrowings are fully repaid.

According to the contracts, agreements and board resolution mentioned above, for the year ended 31 December 2012, the net profit portion of the distribution attributable to XCIC amounted to RMB 61,939 thousand (2011: RMB 79,113 thousand); no depreciation and amortisation portion of the distribution was attributable to XCIC in 2012 (2011: nil).

### (b) Investment in Ningxuanhang

Ningxuanhang is a co-operative joint venture established by the Company and Xuancheng Communication Construction Co., Ltd. ("宣城市交通建設投資有限公司", "XCCC") in April 2008. The original registered capital of Ningxuanhang was RMB 100,000 thousand. The Company and XCCC's equity interest in Ningxuanhang were 70% and 30% respectively. The official operating period will be granted after toll road construction is completed.

Pursuant to a share transfer agreement dated in January 2012 between XCCC and XCIC, XCIC acquired XCCC's equity interests in Ningxuanhang. XCCC also transferred its shareholder's loan (Note 24) to XCIC.

Pursuant to a capital injection agreement among the Company, Anhui Expressway Holding Co., Ltd. ("安徽省高速公路控股集團有限公司", "AEHC", parent company of the Company), and XCIC dated 20th August 2012, the Company made cash contribution of RMB 129,362 thousand to Ningxuanhang in the forms of paid-in capital of RMB 83,000 and capital surplus of RMB 46,362 thousand; AEHC made cash contribution of RMB 182,353 thousand to Ningxuanhang in the forms of paid-in capital of RMB 117,000 and capital surplus of RMB 65,353 thousand. After the cash contribution, the Company, AEHC and XCIC's equity interest in Ningxuanhang changed to 51%, 39% and 10% respectively.

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(All amounts in Renminbi thousands unless otherwise stated)

## 11 Investments in subsidiaries – Company (continued)

### (b) Investment in Ningxuanhang (continued)

The Company, AEHC and XCIC also provided funding to Ningxuanhang in the form of long-term shareholders' loans. Details of the undiscounted long-term shareholders' loans in 2012 are as follows:

	The Company		AEHC	XCIC	Total
	Interest free	Interest bearing	Interest free	Interest free	
Beginning of the year	220,500	269,500	—	82,500	587,500
Additions	45,000	145,000	340,000	—	530,000
Ending of the year	<u>265,500</u>	<u>414,500</u>	<u>340,000</u>	<u>82,500</u>	<u>1,117,500</u>

The interest rate of interest bearing long-term loans ranged from 6.55% to 7.755% in 2012 (2011: 6.80% to 7.755%).

According to the agreement among the Company, AEHC and XCIC, annual net profit is to be made as dividends to the Company, AEHC and XCIC. The amortisation and depreciation are to be made as repayments to bank borrowings and long-term shareholders' loans. After all the bank borrowings are fully settled, annual net profit and the amortisation and depreciation are distributed to the Company, AEHC and XCIC in proportion to their respective contributions to Ningxuanhang's paid-in capital.

The interest free loan of the Company is initially recognised at its fair value, which equals the present value of the future cash to be received discounted using the annual interest rate published by the People's Bank of China for long-term bank loans, and is subsequently carried at amortised cost using the effective interest method. The amortisation of RMB 40,400 thousand of the interest free loan was recognised as an addition to the Company's investment in Ningxuanhang in 2012 (2011: RMB 63,812 thousand).

The interest bearing loan of the Company is accounted for by using effective interest rate method as well. As the interest rate is floating and determined by reference to market interest rate, the fair value approximated its carrying amount.

As at 31 December 2012, Ningxuanhang was still in pre-operation stage.

### (c) Investment in Guangci

Guangci is a co-operative joint venture established by AEHC and XCIC in July 2004 with an operating period of 25 years. The total registered capital of Guangci was RMB 56,800 thousand. AEHC and XCIC's equity interest in Guangci were 51% and 49% respectively.

Pursuant to a share transfer agreement dated 21 February 2012 among the Company, AEHC and XCIC, the Company acquired AEHC's and XCIC's interest in Guangci for a purchase consideration of RMB 215,330 thousand (Note 39) and RMB 18,880 thousand (Note 40) respectively, effective of 1 January 2012. After the acquisition, the Company and XCIC's equity interest in Guangci were 55.47% and 44.53% respectively.

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## 11 Investments in subsidiaries – Company (continued)

### (d) Investment in Wan Tong Pawn

Wan Tong Pawn is a joint venture established by the Company and Hefei Hua Tai Group Co., Ltd. (“合肥華泰集團股份有限公司”, “Hua Tai”) in June 2012 with an operating period of 30 years. The total registered capital of Wan Tong Pawn was RMB 210,000 thousand. The Company invested in RMB 150,000 thousand and held 71.43% equity interest in Wan Tong Pawn. Hua Tai invested in RMB 60,000 thousand and held 28.57% equity interest in Wan Tong Pawn.

For the period from the date of establishment to 31 December 2012, the net profit attributable to the Company amounted to RMB 5,531 thousand; the net profit attributable to Hua Tai amounted to RMB 2,212 thousand.

## 12 Loans to subsidiaries – Company

	Year ended 31 December 2012	Year ended 31 December 2011
Loans to Xuan Guang (Note 11(a))		
Beginning of the year	219,197	206,463
Amortisations	13,519	12,734
End of the year	<u>232,716</u>	<u>219,197</u>
Loans to Ningxuanhang(Note 11(b))		
Beginning of the year	406,445	61,859
Additions	161,436	338,688
– interest-free loans	16,436	69,188
– interest-bearing loans	145,000	269,500
Revaluation	(11,836)	—
Amortisations	7,628	5,898
End of the year	<u>563,673</u>	<u>406,445</u>
Loans to subsidiaries - total	796,389	625,642
Less: current portion of loans to subsidiaries	(38,713)	—
	<u><u>757,676</u></u>	<u><u>625,642</u></u>

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## 12 Loans to subsidiaries – Company (continued)

The carrying amounts and fair values of loans to subsidiaries (including current portion) are as follows:

	Carrying Amounts As at 31 December		Fair Value As at 31 December	
	2012	2011	2012	2011
Loans to Xuan Guang	232,716	219,197	228,738	209,817
Loans to Ningxuanhang	563,673	406,445	563,778	401,658
	<u>796,389</u>	<u>625,642</u>	<u>792,516</u>	<u>611,475</u>

The above loans are unsecured, and the repayment terms are set out in Note 11(a), (b).

As at 31 December 2012, the undiscounted amount of loans to Xuan Guang was RMB 286,932 thousand (2011: RMB 286,932 thousand) and to Ningxuanhang was RMB 680,000 thousand (2011: RMB 490,000 thousand).

The fair value of the loans are based on cash flows discounted using 6.55%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2012 (31 December 2011: 7.05%).

## 13 Investments in an associate

### Group

	31 December 2012	31 December 2011
Beginning of the year	29,285	31,564
Share of an associate's result:		
– Profit before income tax	16,173	10,746
– Income tax expenses	(4,142)	(2,727)
Dividends declared (Note 15(b))	—	(10,298)
End of the year	<u>41,316</u>	<u>29,285</u>

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### 13 Investments in an associate (continued)

The Group's interest in its associate which is unlisted, was as follows:

Name	Particulars of issued shares held	Country of incorporation	Assets	Liabilities	Revenue	Net Profit	% of Interest held
<b>2012</b>							
Anhui Expressway Advertisement Co., Ltd. ("安徽高速傳媒有限公司", "AEAC")	Equity capital	PRC	<u>93,983</u>	<u>52,667</u>	<u>43,803</u>	<u>12,031</u>	<u>38%</u>
<b>2011</b>							
AEAC	Equity capital	PRC	<u>57,522</u>	<u>28,237</u>	<u>34,835</u>	<u>8,019</u>	<u>38%</u>
<b>Company</b>					<b>31 December 2012</b>	31 December 2011	
Unlisted equity, at cost					<u><b>18,999</b></u>	<u>18,999</u>	

### 14 Available-for-sale financial assets

#### Group and Company

	Equity interest in unlisted companies		
	AXFG	WTMC	Total
Opening balances	300,000	—	300,000
Additions	<u>200,000</u>	<u>15,000</u>	<u>215,000</u>
Closing balances	<u>500,000</u>	<u>15,000</u>	<u>515,000</u>

Available-for-sale financial assets represented 16.67% equity interest in Anhui Xin'an Financial Group Co., Ltd. ("安徽新安金融集團股份有限公司", "AXFG") and 10% equity interest in Hefei Wan Tong Microcredit Co., Ltd. ("合肥市皖通小額貸款有限公司", "WTMC").

The available-for-sale financial assets did not have quoted market price in an active market and their fair values could not be reliably measured. As a result, these investments were carried at cost and were subject to review for impairment. At 31 December 2012, the Group performed an impairment review for these available-for-sale financial assets. No impairment existed for these available-for-sale financial assets.

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## 15 Trade and other receivables

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Pawn loans to customers (a)	173,695	—	—	—
Current portion of loans to subsidiaries (Note 12)	—	—	38,713	—
Prepayments	—	606	—	—
Interests receivable	—	—	—	5,363
Dividends receivable (b)	—	10,298	—	10,298
Toll roll income receivable(c)	54,807	96,404	54,807	63,298
Bidding deposit (d)	—	50,000	—	50,000
Others	19,883	27,392	17,880	26,197
	<b>248,385</b>	184,700	<b>111,400</b>	155,156
Less: Provision for impairment (a)	(1,780)	—	—	—
	<b>246,605</b>	184,700	<b>111,400</b>	155,156

### (a) Pawn loans to customers

At 31 December 2012 and 2011, the analysis of pawn loans to customers as follows:

Group	31 December 2012	31 December 2011
Pawn loans to customers		
– Principle	173,695	—
– interest	—	—
	<b>173,695</b>	—
Less: Impairment allowances		
– Individually assessed	—	—
– Collectively assessed	(1,780)	—
	<b>(1,780)</b>	—
Pawn loans to customers, net	<b>171,915</b>	—

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## 15 Trade and other receivables (continued)

### (a) Pawn loans to customers (continued)

Pawn loans to customers are arising from the Group's pawn loans business. The loan periods granted to customers are from one to six months and bore fixed interest rates ranging from 24.00% to 26.40% in the year ended 31 December 2012.

Reconciliation of allowance account for losses on pawn loans to customers as follows:

<b>Group</b>	<b>31 December 2012</b>	31 December 2011
Collectively assessed – At beginning of year	—	—
Impairment losses recognised	<b>(1,780)</b>	—
At end of year	<b>(1,780)</b>	—

- (b) Dividends of RMB 10,298 thousand were declared by AEAC in 2011 (Note 13) and received by the Company in 2012.
- (c) At 31 December 2012, toll roll income receivables mainly represented receivable from Anhui Expressway Network Operations Co., Ltd. (“安徽高速公路聯網運營有限公司”, the toll settlement centre of Anhui Province) of RMB 51,294 thousand (31 December 2011: RMB 61,776 thousand) for uncollected toll road income.
- (d) Bidding deposit in Anhui Assets and Equity Exchange Co., Ltd. (“安徽省產權交易中心有限責任公司”) of RMB 50,000 thousand as at 31 December 2011 was transferred to AEHC for acquisition of Guangci in 2012.

At 31 December 2012 and 2011, the ageing analysis of the trade and other receivables as follows:

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
Up to 1 year	<b>243,174</b>	171,410	<b>67,924</b>	147,938
1 to 2 years	<b>5,038</b>	12,506	<b>4,763</b>	6,718
2 to 3 years	<b>95</b>	60	—	—
Over 3 years	<b>78</b>	724	<b>38,713</b>	500
	<b>248,385</b>	184,700	<b>111,400</b>	155,156

As at 31 December 2012 and 2011, all trade and other receivables balances were denominated in RMB. Except for pawn loans to customers which are analysed in Note (a), all trade and other receivables balances were fully performing.

As at 31 December 2012 and 2011, the fair value of the trade and other receivables of the Group and the Company, except for the prepayments which are not financial assets, approximated their carrying amount.



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### 16 Inventories

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Materials for toll road maintenance	<u>3,554</u>	<u>3,413</u>	<u>3,081</u>	<u>3,413</u>

### 17 Cash and cash equivalents

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Cash at bank and on hand	<u>762,838</u>	<u>603,223</u>	<u>390,732</u>	<u>518,147</u>

The weighted average effective interest rate per annum on cash at bank in 2012 was approximately 1.13% (2011: 1.68%).

The carrying amounts of cash at bank and on hand are denominated in the following currencies:

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
RMB	<u>752,248</u>	<u>591,795</u>	<u>380,142</u>	<u>506,719</u>
HKD (RMB equivalents)	<u>10,590</u>	<u>11,428</u>	<u>10,590</u>	<u>11,428</u>
	<u>762,838</u>	<u>603,223</u>	<u>390,732</u>	<u>518,147</u>

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## 18 Ordinary share capital and share premium

	Number of A shares (thousand)	Number of H shares (thousand)	Ordinary share capital	Share Premium	Total
At 1 January 2011	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—	—
At 31 December 2011	1,165,600	493,010	1,658,610	1,415,593	3,074,203
Changes in the year	—	—	—	—	—
<b>At 31 December 2012</b>	<b>1,165,600</b>	<b>493,010</b>	<b>1,658,610</b>	<b>1,415,593</b>	<b>3,074,203</b>

The total authorised and issued number of ordinary shares is 1,658,610,000 shares with a par value of RMB 1 per share. All issued shares are fully paid.

Share premium is the amount by which the fair value of the consideration received exceeds the nominal value of shares issued, net of transaction cost.

## 19 Other reserves

### Group

	Capital Surplus	Statutory Surplus Reserve Fund (Note 36 (a))	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Merge Reserve (a)	Excess of the consideration over carrying amount of the non- controlling interests acquired	Total
<b>Balance at 1 January 2011</b>	2,243	873,605	658	57,815	28,968	(699,147)	264,142
Profit appropriations	—	82,276	—	—	—	—	82,276
Appropriation to Enterprise Safety Fund	—	—	—	(1,376)	—	—	(1,376)
<b>Balance at 31 December 2011</b>	2,243	955,881	658	56,439	28,968	(699,147)	345,042
Appropriation to Enterprise Safety Fund	—	—	—	(1,376)	—	—	(1,376)
Consideration paid to the then equity owner for acquisition of a subsidiary under common control	—	—	—	—	(215,330)	—	(215,330)
Changes in ownership interests in subsidiaries without change of control (Note 40)	—	—	—	—	—	(10,969)	(10,969)
<b>Balance at 31 December 2012</b>	<b>2,243</b>	<b>955,881</b>	<b>658</b>	<b>55,063</b>	<b>(186,362)</b>	<b>(710,116)</b>	<b>117,367</b>

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## 19 Other reserves (continued)

### Company

	Statutory Surplus Reserve Fund (Note 36 (a))	Discretionary Surplus Reserve Fund	Enterprise Safety Fund	Total
<b>Balance at 1 January 2011</b>	816,448	658	52,053	869,159
Profit appropriations	82,276	—	—	82,276
Appropriation to Enterprise Safety Fund	—	—	(1,376)	(1,376)
<b>Balance at 31 December 2011</b>	898,724	658	50,677	950,059
Appropriation to Enterprise Safety Fund	—	—	(1,376)	(1,376)
<b>Balance at 31 December 2012</b>	<b>898,724</b>	<b>658</b>	<b>49,301</b>	<b>948,683</b>

Upon approval from the Board of Directors, capital surplus, other than those relating to receipts of donated non-cash assets and equity investments held can be used to increase capital. Capital surplus arising from receipts of donated non-cash assets and equity investments can only be used to increase capital after the donated assets or investments have been disposed of.

The Company appropriates discretionary surplus reserve after shareholders' meeting approves the Board of Director's proposal. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval.

For enterprise safety fund, please refer to Note 2.27.

- (a) The merge reserve as at 31 December 2012 represented the excess of consideration over the Company's share of paid-in capital of Guangci acquired under common control (Note 11(c), Note 39).

The Company's share of paid-in capital of Guangci  
Less: consideration paid to the then equity owner for  
acquisition of Guangci under common control

Merge reserve

<b>31 December 2012</b>
<b>28,968</b>
<b>(215,330)</b>
<b>(186,362)</b>

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## 20 Deferred income

### Group and Company

	<b>31 December 2012</b>	31 December 2011
Government grants	<b>41,626</b>	43,799

Deferred income represents government grants relating to assets and is amortised over 25 years (Note 2.21).

Amortisation of RMB 2,173 thousand (2011: RMB 2,173 thousand) has been charged in "other gains" (Note 28).

## 21 Trade and other payables

	<b>Group</b>		<b>Company</b>	
	<b>As at 31 December</b>		<b>As at 31 December</b>	
	<b>2012</b>	2011	<b>2012</b>	2011
Payables on acquisition of concession intangible assets	<b>572,987</b>	485,658	<b>157,727</b>	265,936
Payables on repair and maintenance projects	<b>2,733</b>	1,815	<b>2,529</b>	1,732
Deposit for construction projects	<b>42,772</b>	39,109	<b>25,908</b>	24,380
Toll road income received:	<b>25,460</b>	22,485	<b>97,959</b>	44,929
– on behalf of Xuan Guang	—	—	<b>45,915</b>	22,704
– on behalf of Guangci	—	—	<b>26,844</b>	—
– on behalf of other entities	<b>25,460</b>	22,485	<b>25,200</b>	22,225
Other taxation payables	<b>52,582</b>	39,465	<b>15,897</b>	33,849
Staff salaries and welfare	<b>27,667</b>	30,610	<b>20,561</b>	23,554
Dividends payable	—	13,602	—	—
Current portion of long-term payables (Note 24)	<b>31,078</b>	—	—	—
Interests payable	<b>1,016</b>	1,075	<b>114</b>	—
Others	<b>16,398</b>	17,703	<b>8,788</b>	12,831
	<b>772,693</b>	651,522	<b>329,483</b>	407,211

As at 31 December 2012, trade and other payables of RMB 174,768 thousand were aged over one year (2011: RMB 181,001 thousand). These payables were mainly for construction projects and will be settled after project is completed.

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

As at 31 December 2012 and 2011, the fair value of trade and other payables, except for staff salaries and welfare, approximated their fair value.

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## 22 Borrowings

### Group

	31 December 2012		31 December 2011	
	Interest rate per annum	Amount	Interest rate per annum	Amount
<b>Non-current</b>				
Corporate bonds denominated in RMB (a)	5.00%	1,987,776	5.00%	1,982,123
Long-term bank borrowings denominated in RMB – secured				
– Pledged (b)	5.76%-6.40%	68,100	6.21%-6.90%	102,150
– Guaranteed (c)	5.895%-7.205%	226,900	5.760%-7.755%	126,900
Long-term bank borrowings denominated in RMB – unsecured (c)	5.895%-6.345%	181,000	5.760%	181,000
		<u>2,463,776</u>		<u>2,392,173</u>
<b>Current</b>				
Short-term bank borrowings denominated in RMB – unsecured	5.70%-6.56%	65,300	4.779%-6.56%	40,000
Current portion of long-term bank borrowings denominated in RMB – secured				
– Pledged (b)	5.76%-6.40%	34,050	6.21%-6.90%	34,050
		<u>99,350</u>		<u>74,050</u>
<b>Total borrowings</b>		<u><u>2,563,126</u></u>		<u><u>2,466,223</u></u>

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(All amounts in Renminbi thousands unless otherwise stated)

## 22 Borrowings (continued)

### Company

	31 December 2012		31 December 2011	
	Interest rate per annum	Amount	Interest rate per annum	Amount
<b>Non-current</b>				
Corporate bonds denominated in RMB (a)	5.00%	<u>1,987,776</u>	5.00%	<u>1,982,123</u>
<b>Current</b>				
Short-term bank borrowings denominated in RMB – unsecured	5.70%-6.56%	<u>65,300</u>	—	<u>—</u>
<b>Total borrowings</b>		<u><u>2,053,076</u></u>		<u><u>1,982,123</u></u>

- (a) As approved by the China Securities Regulatory Commission on 28 August 2009, the Company issued corporate bonds of RMB 2,000,000 thousand for a term of 5 years, bearing interest at 5% per annum on 17 December 2009. Interest is payable annually and the principal is repayable in full upon maturity. The full amount of principal and interest of the bonds is unconditionally and irrevocably guaranteed by AEHC.
- (b) The bank borrowings of RMB 102,150 thousand were pledged by service concession arrangements of Guangci Expressway as at 31 December 2012 (31 December 2011: RMB 136,200 thousand) (Note 6).
- (c) The bank borrowings of RMB 74,900 thousand were guaranteed by XCCC; RMB 152,000 thousand were guaranteed by XCIC, a non-controlling interest of subsidiaries; and RMB 181,000 thousand were guaranteed by the Company as at 31 December 2012 (31 December 2011: RMB 126,900 thousand guaranteed by XCCC; RMB 181,000 thousand guaranteed by the Company).

At 31 December 2012 and 2011, the Group's and the Company's borrowings are repayable as follows:

### Group

	Bank borrowings		Corporate bonds	
	2012	2011	2012	2011
Within 1 year	<b>99,350</b>	74,050	—	—
Between 1 and 2 years	<b>34,050</b>	34,050	<b>1,987,776</b>	—
Between 2 and 5 years	<b>34,050</b>	68,100	—	1,982,123
Over 5 years	<b>407,900</b>	307,900	—	—
	<u><u>575,350</u></u>	<u><u>484,100</u></u>	<u><u>1,987,776</u></u>	<u><u>1,982,123</u></u>

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## 22 Borrowings (continued)

### Company

	Bank borrowings		Corporate bonds	
	2012	2011	2012	2011
Within 1 year	65,300	—	—	—
Between 1 and 2 years	—	—	1,987,776	—
Between 2 and 5 years	—	—	—	1,982,123
	<u>65,300</u>	<u>—</u>	<u>1,987,776</u>	<u>1,982,123</u>

As at 31 December 2012, the fair value of corporate bonds was RMB 2,091,000 thousand according to price in bond market. The carrying amounts of other borrowings approximate their fair value, as the impact of discounting of carrying amounts to their fair value is not significant.

The Group has the following un-drawn borrowing facilities at the balance sheet date:

	31 December 2012	31 December 2011
Expiring within one year	<u>2,149,650</u>	<u>1,651,900</u>

The exposure of the Group's and Company's bank borrowings to interest rate changes and the contractual repricing dates at the end of reporting period are as follows:

	Group		Company	
	2012	2011	2012	2011
Within 1 year	<u>575,350</u>	<u>484,100</u>	<u>65,300</u>	<u>—</u>

## 23 Provision – maintenance/resurfacing obligations (Note 4(b))

	Group	Company
Balance at 1 January 2012	6,826	6,561
Addition of provision	48,853	28,401
Utilization of provision	(48,853)	(28,401)
Balance at 31 December 2012	<u>6,826</u>	<u>6,561</u>

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## 24 Long-term payables – Group

	<b>31 December 2012</b>	31 December 2011
<b>Long-term payables to XCIC (Note 11(a)(b))</b>		
Beginning of the year	<b>298,653</b>	303,034
Repayments	—	(21,731)
Transfer in from XCCC (Note 11(b))	<b>68,268</b>	—
Revaluation	<b>(15,926)</b>	—
Amortisation – capitalised in concession intangible assets (Note 6)	<b>1,304</b>	—
Amortisation – charged to income statement (Note 31)	<b>18,420</b>	17,350
End of the year	<b>370,719</b>	298,653
<b>Long-term payables to XCCC (Note 11(b))</b>		
Beginning of the year	<b>68,268</b>	26,511
Transfer out to XCIC (Note 11(b))	<b>(68,268)</b>	—
Additions	—	39,229
– interest-free loans	—	24,229
– interest-bearing loans	—	15,000
Amortisation – capitalised in concession intangible assets (Note 6)	—	2,528
End of the year	—	68,268
<b>Long-term payables to AEHC (Note 11(b)(c))</b>		
Beginning of the year	<b>12,119</b>	22,619
Repayments	<b>(12,119)</b>	(10,500)
Additions	<b>148,669</b>	—
– interest-free loans	<b>148,669</b>	—
Amortisation – capitalised in concession intangible assets (Note 6)	<b>3,656</b>	—
End of the year	<b>152,325</b>	12,119
<b>Long-term payables – total</b>	<b>523,044</b>	379,040
Less: current portion of long-term payables (Note 21)	<b>(31,078)</b>	—
	<b>491,966</b>	379,040



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## 24 Long-term payables – Group (continued)

The carrying amounts and fair values of long-term payables (including current portion) are as follows:

	Carrying Amounts As at 31 December		Fair Value As at 31 December	
	2012	2011	2012	2011
Long-term payables to XCIC	<b>370,719</b>	298,653	<b>361,566</b>	279,915
Long-term payables to AEHC	<b>152,325</b>	12,119	<b>150,239</b>	12,119
Long-term payables to XCCC	—	68,268	—	66,216
	<b>523,044</b>	379,040	<b>511,805</b>	358,250

The fair values of long-term payables are based on cash flows discounted using 6.55%, the annual interest rate published by the People's Bank of China for long-term bank loans as at 31 December 2012 (31 December 2011: 7.05%).

The undiscounted amount of long-term payables (including current portion) are as follows:

	31 December 2012	31 December 2011
Long-term payables to XCIC	<b>545,416</b>	447,916
Long-term payables to AEHC	<b>340,000</b>	12,119
Long-term payables to XCCC	—	97,500
	<b>885,416</b>	557,535

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## 25 Deferred tax assets and liabilities

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset and when the deferred taxes relate to the same tax authority. The deferred income tax balance before and after offsetting are as follows:

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Deferred tax assets:				
– Deferred tax to be realised after more than 12 months	20,833	14,798	17,643	24,258
– Deferred tax to be realised within 12 months	9,193	8,748	12,338	11,709
	<u>30,026</u>	<u>23,546</u>	<u>29,981</u>	<u>35,967</u>
Deferred tax liabilities:				
– Deferred tax to be settled after more than 12 months	(139,520)	(86,911)	(33,987)	(36,847)
– Deferred tax to be settled within 12 months	(8,826)	(8,326)	(2,852)	(2,844)
	<u>(148,346)</u>	<u>(95,237)</u>	<u>(36,839)</u>	<u>(39,691)</u>
Deferred tax liabilities – net	<u>(118,320)</u>	<u>(71,691)</u>	<u>(6,858)</u>	<u>(3,724)</u>

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## 25 Deferred tax assets and liabilities (continued)

The movement on the Group's deferred income tax assets and liabilities, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

	Accounting for government grants		Accrued bonus	Accounting for interest bearing shareholder's	Total
	Provision	loans			
<b>Deferred income tax assets</b>					
<b>Balance at 1 January 2011</b>	14,857	7,238	6,341	—	28,436
Deferred taxation charged to income statement	(700)	(5,531)	—	1,341	(4,890)
<b>Balance at 31 December 2011</b>	14,157	1,707	6,341	1,341	23,546
Deferred taxation charged to income statement	(700)	445	—	6,735	6,480
<b>Balance at 31 December 2012</b>	13,457	2,152	6,341	8,076	30,026

	Valuation of assets and depreciation – toll roads	Valuation and amortisation of toll roads related land use rights	Accounting for interest free long-term payables	Amortisation difference between accounting and tax regulations	Others	Total
		of toll roads use rights	for interest free long-term payables	between accounting and tax regulations		
<b>Deferred income tax liabilities</b>						
<b>Balance at 1 January 2011</b>	(34,086)	(5,372)	(44,783)	—	(4,091)	(88,332)
Deferred taxation charged to income statement	2,156	345	5,352	(9,025)	(540)	(1,712)
Deferred taxation charged to equity (a)	—	—	(5,193)	—	—	(5,193)
<b>Balance at 31 December 2011</b>	(31,930)	(5,027)	(44,624)	(9,025)	(4,631)	(95,237)
Deferred taxation charged to income statement	2,162	346	3,591	(8,880)	1,486	(1,295)
Deferred taxation charged to equity (a)	—	—	(51,814)	—	—	(51,814)
<b>Balance at 31 December 2012</b>	(29,768)	(4,681)	(92,847)	(17,905)	(3,145)	(148,346)

For the year ended 31 December 2012  
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## 25 Deferred tax assets and liabilities (continued)

- (a) Deferred taxation charged to equity represented the deferred tax liability arising from the temporary difference between carrying amount and undiscounted amount for the long-term payables to XCIC and AEHC (Note 24), which was treated as shareholder contribution and recorded as a credit item in the equity.

The movement on the Company's deferred income tax assets and liabilities, without taking into consideration the offsetting of balance within the same tax jurisdiction, is as follows:

Deferred income tax assets	Accounting for Government grants		Accrued bonus	Accounting for interest free loan		Total
	Provision					
<b>Balance at 1 January 2011</b>	14,857	7,170	4,711	20,117	46,855	
Deferred taxation charged to income statement	(700)	(5,530)	—	(4,658)	(10,888)	
<b>Balance at 31 December 2011</b>	14,157	1,640	4,711	15,459	35,967	
Deferred taxation charged to income statement	(700)	—	—	(5,286)	(5,986)	
<b>Balance at 31 December 2012</b>	<u>13,457</u>	<u>1,640</u>	<u>4,711</u>	<u>10,173</u>	<u>29,981</u>	

Deferred income tax liabilities	Valuation and amortisation of toll roads related land use rights		Others	Total
	Valuation of assets and depreciation – toll roads			
<b>Balance at 1 January 2011</b>	(34,086)	(5,372)	(3,077)	(42,535)
Deferred taxation charged to income statement	2,156	345	343	2,844
<b>Balance at 31 December 2011</b>	(31,930)	(5,027)	(2,734)	(39,691)
Deferred taxation charged to income statement	2,163	345	344	2,852
<b>Balance at 31 December 2012</b>	<u>(29,767)</u>	<u>(4,682)</u>	<u>(2,390)</u>	<u>(36,839)</u>

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## 26 Retirement benefit obligations – Group

The Group participates in the Anhui Provincial Retirement Scheme managed by Anhui Social Security Management Bureau (“the Bureau”). Pursuant to the relevant provisions, the Group is required to make a monthly contribution equivalent to the 20%-23% (2011: 20%-23%) of the basic monthly salary, subject to certain ceiling, in respect of its employees. The Bureau is responsible for pension payments to the retired employees of the Group and the Group has no further obligations.

In addition to the above pension plans, the employees of the Group also entered into a supplementary pension scheme on a voluntary basis. The Group is required to make an annual contribution to an independent fund management company equivalent to the basic monthly salary, subject to certain ceiling, in respect of its employees. The Group is also required to pay RMB 230 every month to those employees, who have retired or will retire before 31 December 2015. As at 31 December 2012, the retired employees of the Group were 43 (31 December 2011: 36).

## 27 Revenue – Group

	Year ended 31 December	
	2012	2011
Toll income from toll roads operation	2,127,491	2,232,272
Revenue from construction or upgrade work under Service Concessions	899,842	764,858
Rental income (Note 41(b))	43,069	23,389
– from toll roads service sector (a)	28,930	8,877
– from other investment property	14,139	14,512
Service income from roads emergency assistance	18,873	15,763
Service income from management of toll roads (Note 41(b))	18,545	15,371
Interest income from pawn loans to customers	14,329	—
Others	201	421
	<b>3,122,350</b>	<b>3,052,074</b>

- (a) Pursuant to a lease agreement with Anhui Yida Toll Road Service Sector Management Co., Ltd. (“YTMC”, “安徽省驛達高速公路服務區經營管理有限公司”), the Company’s toll road service sectors were leased to YTMC with annual rental fee of RMB 7,200 thousand. The lease period was from 1 January 2012 to 31 December 2012.

Pursuant to a lease agreement with YTMC, Guangci’s toll road service sectors were leased to YTMC with annual rental fee of RMB 1,800 thousand. The lease period was from 1 August 2009 to 20 July 2029.

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## 28 Other gains - net – Group

	Year ended 31 December	
	2012	2011
Interest income (Note 37)	4,923	13,116
Amortisation of government grants relating to assets (Note 20)	2,173	2,173
Loss from disposal on property, plant and equipment (Note 37)	(37)	(2,333)
Loss from disposal on concession intangible assets (Note 37)	(1,157)	—
Loss from disposal on intangible assets (Note 37)	—	(10)
Others	(1,307)	(38)
	<b>4,595</b>	<b>12,908</b>

## 29 Expenses by nature – Group

Expenses included in cost of sales and administrative expenses are analysed as follows:

	Year ended 31 December	
	2012	2011
Costs payable to vendors for construction or upgrade work under the Service Concessions (Note 2.6)	899,842	764,858
Depreciation and amortisation expenses (Note 6,7,8,9,10)	553,447	530,338
Employee benefit expenses (Note 30)	194,648	161,759
Repair and maintenance expenses	151,475	112,005
Tax related to revenue (a)	77,160	77,965
Auditor's remuneration	2,150	2,150
Impairment for pawn loans to customers	1,780	—
Others	19,712	19,797
	<b>1,900,214</b>	<b>1,668,872</b>

### (a) Tax related to revenue

The Group is subject to Business Tax ("BT") at the rate of 3% for toll income and of 5% for others respectively. Revenue from construction or upgrade work under the Service Concessions is not subject to BT.

In addition to BT, the Group is subject to the following supplemental turnover taxes:

- (i) Urban Construction and Maintenance Tax – levied at 5% or 7% of BT payable.
- (ii) Local Education Surcharge – levied at 3% of BT payable.

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### 30 Employee benefit expenses – Group

	Year ended 31 December	
	2012	2011
Salaries and wages	143,232	114,337
Supplementary pension insurance	3,997	3,911
Other welfares	47,419	43,511
	<u>194,648</u>	<u>161,759</u>

As at 31 December 2012, the number of employees were 1,946 (31 December 2011: 1,812).

#### (a) Directors' emoluments

The remuneration of every Director of the Company for the year ended 31 December 2012 is set out below:

Name of Director	Fees	Salaries	Bonus	Other benefits	Contribution to pension scheme	Total
<b>Executive Directors</b>						
Mr. Zhou Renqiang	—	720	60	—	32	812
Mr. Tu Xiaobei	—	504	42	—	32	578
Mr. Li Junjie	—	504	42	—	32	578
Mr. Li Jiezhi	—	504	42	—	32	578
<b>Non Executive Directors</b>						
Mr. Liu Xianfu	—	—	—	—	—	—
Mr. Meng Jie	—	—	—	—	—	—
<b>Independent Directors</b>						
Mr. To Cheng Chu*	75	—	—	—	—	75
Mr. Cui Yunfei*	45	—	—	—	—	45
Mr. Yang Mianzhi	80	—	—	—	—	80
Mr. Hu Bin	80	—	—	—	—	80
	<u>280</u>	<u>2,232</u>	<u>186</u>	<u>—</u>	<u>128</u>	<u>2,826</u>

\* Mr. To Cheng Chu retired from the position in August 2012. Thereafter Mr. Cui Yunfei was appointed as directors effective from 30 August 2012.

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### 30 Employee benefit expenses – Group (continued)

#### (a) Directors' emoluments (continued)

The remuneration of every Director of the Company for the year ended 31 December 2011 is set out below:

Name of Director	Fees	Salaries	Bonus	Other benefits	Contribution to pension scheme	Total
<b>Executive Directors</b>						
Mr. Zhou Renqiang	—	645	50	—	27	722
Mr. Tu Xiaobei	—	452	35	—	27	514
Mr. Li Junjie	—	452	35	—	27	514
Mr. Li Yungui*	—	263	35	—	17	315
Mr. Li Jiezhi	—	189	—	—	10	199
<b>Non Executive Directors</b>						
Mr. Liu Xianfu	50	—	—	—	—	50
Mr. Meng Jie	50	—	—	—	—	50
<b>Independent Directors</b>						
Mr. Leung Man Kit*	75	—	—	—	—	75
Ms. Li Mei*	50	—	—	—	—	50
Ms. Guo Shan*	50	—	—	—	—	50
Mr. To Cheng Chu	45	—	—	—	—	45
Mr. Yang Mianzhi	30	—	—	—	—	30
Mr. Hu Bin	30	—	—	—	—	30
	<u>380</u>	<u>2,001</u>	<u>155</u>	<u>—</u>	<u>108</u>	<u>2,644</u>

\* Mr. Li Yungui, Mr. Leung Man Kit, Ms. Li Mei and Ms. Guo Shan retired from the position in August 2011. Thereafter Mr. Li Jiezhi, Mr. To Cheng Chu, Mr. Yang Mianzhi and Mr. Hu Bin were appointed as directors effective from 17 August 2011.

#### (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for 2012 include four directors (2011: three directors), whose emoluments are reflected in the analysis presented above, and one employees whose emoluments amounted to RMB 578 thousand (2011: two employees whose emoluments amounted to RMB 514 thousand and RMB 434 thousand respectively).



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### 31 Finance costs – Group

	Year ended 31 December	
	2012	2011
Interest expense on:		
– bank borrowings	11,704	12,806
– corporate bonds	105,653	105,366
– interest paid	100,000	100,000
– amortisation of corporate bonds	5,653	5,366
– amortisation of long-term payables to XCIC (Note 24)	18,420	17,350
	<u>135,777</u>	<u>135,522</u>

### 32 Taxation – Group

The amount of taxation charged to the consolidated income statement represents:

	Year ended 31 December	
	2012	2011
Current taxation – CIT (a)	279,185	310,190
Deferred taxation charged/(credited) to consolidated income statement (Note 25)	(5,185)	6,602
	<u>274,000</u>	<u>316,792</u>

#### (a) Hong Kong profits tax and PRC Corporate Income Tax

There was no Hong Kong profits tax liabilities as the Group has no assessable income which is subject to Hong Kong profits tax.

The Company and its subsidiaries, associated companies determine and pay the PRC Corporate Income Tax (“CIT”) in accordance with the CIT Law as approved by the National People’s Congress on 16 March 2007. Under the CIT Law, the CIT rate applicable to the Company and its subsidiaries, associated companies is 25%.

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### 32 Taxation – Group (continued)

#### (b) Withholding tax (“WHT”) for dividend paid to foreign investors

According to the new CIT law and the detailed implementation regulations, foreign shareholders are subject to a 10% WHT for the dividend repatriated by the Company starting from January 1, 2008. For certain treaty jurisdictions such as Hong Kong which has signed tax treaties with the PRC, the WHT rate is 5%. According to Cai Shui [2008] Circular 1 jointly issued by the Ministry of Finance and the State Administration of Taxation on 22 February 2008, where the Company declares dividend in 2008 and beyond out of the cumulative retained earnings as of 31 December 2007 (i.e. 2007 retained earnings), such dividends earned by the foreign shareholders are exempted from WHT. For dividend which arises from the Company’s profit earned after 1 January 2008, WHT is levied on the foreign institute shareholders.

- (c) The tax on the Group’s profit before tax differs from the theoretical amount that would arise using the CIT rate for companies in PRC as follows:

	Year ended 31 December	
	2012	2011
Profit before income tax	1,102,985	1,268,607
CIT rate	25%	25%
Tax calculated at the CIT rate	275,746	317,152
Expenses not deductible for tax purpose	364	2,879
Income not subject to income tax	(3,008)	(2,005)
Tax adjustment made after tax filing by tax bureau	898	(1,234)
Tax Charges	274,000	316,792

### 33 Profit attributable to shareholders of the Company

The profit attributable to shareholders is dealt with in the financial statements of the Company to the extent of approximately RMB 728,712 thousand (2011: RMB 822,757 thousand).

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### 34 Earnings per share

Basic earnings per share is calculated by dividing the consolidated profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year. The Company has no dilutive potential shares.

	Year ended 31 December	
	2012	2011
Profit attributable to equity holders of the Company	752,152	861,185
Weighted average number of ordinary shares in issue (thousand)	1,658,610	1,658,610
Basic earnings per share (expressed in RMB per share)	<u>0.4535</u>	<u>0.5192</u>

### 35 Dividends

The dividends paid during the years ended 31 December 2012 and 2011 were RMB 348,308 thousand (RMB 0.21 per share) and 348,308 thousand (RMB 0.21 per share) respectively. A final dividend in respect of 2012 of RMB 0.20 per share, amounting to a total dividend of RMB 331,722 thousand will be proposed at the Annual General Meeting on 10 May 2013. These consolidated financial statements do not reflect this dividend payable.

	Year ended 31 December	
	2012	2011
Proposed final dividend of RMB 0.20 (2011: RMB 0.21) per ordinary share	<u>331,722</u>	<u>348,308</u>

### 36 Appropriation

#### (a) Statutory Surplus Reserve Fund

In accordance with the PRC Company Law, the Company and its subsidiaries shall appropriate 10% of their annual statutory net income (after offsetting any prior years' losses) to the statutory surplus reserve fund. When the balance of such reserve reaches 50% of a company's share capital or registered capital, any further appropriation is optional. The statutory surplus reserve fund can be utilized to offset prior years' losses or to issue bonus shares/paid-in capital. However, such statutory surplus reserve fund must be maintained at a minimum of 25% of share capital/registered capital after such utilization.

At 31 December 2012, the balance of statutory surplus reserve has reached 50% of the Company's share capital. As a result, the Company did not appropriate statutory surplus reserve fund in 2012 in accordance with the PRC Company Law.

#### (b) Dividends distribution

According to the Articles of Association of the Company, the dividends distribution by the Company to its shareholders is based on the lower of the retained earnings in the Company's statutory financial statements and in the Company's financial statements prepared in accordance with HKFRS.

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### 37 Notes to consolidated cash flow statement

Reconciliation from profit before income tax to net cash inflow from operating activities:

	Year ended 31 December	
	2012	2011
Profit before income tax	<b>1,102,985</b>	1,268,607
Adjustments for:		
Settlement of revenue in form of concession intangible assets	<b>(812,512)</b>	(658,662)
Amortisation of concession intangible assets	<b>454,288</b>	417,016
Depreciation of property, plant and equipment	<b>82,767</b>	103,994
Depreciation of investment property	<b>14,761</b>	7,653
Amortisation of land use rights	<b>686</b>	1,059
Amortisation of intangible assets	<b>945</b>	616
Impairment for pawn loans to customers	<b>1,780</b>	—
Loss on disposal of concession intangible assets	<b>1,157</b>	—
Loss on disposal of property, plant and equipment	<b>37</b>	2,333
Loss on disposal of intangible assets	<b>—</b>	10
Share of profit of an associate	<b>(12,031)</b>	(8,019)
Interest income	<b>(3,830)</b>	(13,116)
Interest expense	<b>135,777</b>	135,522
Operating profit before working capital changes	<b>966,810</b>	1,257,013
(Increase)/decrease in inventories	<b>(141)</b>	348
Decrease in provision	<b>—</b>	(22,123)
Increase in trade and other receivables	<b>(72,203)</b>	(28,423)
Decrease in trade and other payables	<b>(32,811)</b>	(38,215)
Cash generated from operating activities	<b>861,655</b>	1,168,600

#### Non-cash transaction

Non-cash transaction refers to the settlement of revenue in form of concession intangible assets.

### 38 Commitments – Group

Capital expenditure at the balance sheet date but not yet incurred is as follows:

	Year ended 31 December	
	2012	2011
Concession intangible assets		
– Contracted but not provided for	<b>1,329,185</b>	269,352

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### 39 Acquisition of a subsidiary under common control

Effective of 1 January 2012, the Company acquired a 51% equity interest in Guangci, an unlisted toll roads operation company registered in Anhui Province, the PRC, from AEHC, the parent company of the Company (the “then equity owner”), for a purchase consideration of RMB 215,330 thousand (Note 11(c)).

The carrying value of assets and liabilities of Guangci on the date of acquisition were as follows:

	1 January 2012 Carrying value
<b>Assets</b>	
Concession intangible assets	275,732
Property, plant and equipment	20,778
Investment property	10,098
Trade and other receivables	38,487
Cash and cash equivalents	5,421
	<u>350,516</u>
<b>Liabilities</b>	
Long-term payables	12,119
Borrowings	136,200
Trade and other payables	24,332
Current income tax liabilities	1,147
	<u>173,798</u>
<b>Net assets</b>	176,718
Less: Attributable to non-controlling interest	<u>(86,592)</u>
Net assets acquired by the Company	<u><u>90,126</u></u>

Since the acquisition involved entities under common control, the provisions of HKFRS 3, “Business Combinations” are not applicable. Accordingly, the consolidated financial statements have been prepared by using the principles of merger accounting in accordance with HKAS 5 “Merger Accounting for Common Control Combinations”, as if the current group structure had been in existence since their respective dates of incorporation, to the extent of interest held by the Company. All income, expenses and unrealized gains and losses resulting from intercompany transactions and intercompany balances within the Group are eliminated on consolidation in full. Accordingly, the comparative figures of the consolidated financial statements have been restated.

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(All amounts in Renminbi thousands unless otherwise stated)

#### 40 Transaction with non-controlling interest

Effective of 1 January 2012, the Company acquired 4.47% of the equity interest in Guangci from XCIC for a purchase consideration of RMB 18,880 thousand (Note 11(c)). The carrying amount of the non-controlling interests in Guangci on the date of acquisition was RMB 7,911 thousand. The Group recognised a decrease in non-controlling interests of RMB 7,911 and a decrease in the capital reserve within equity of RMB 10,969 thousand.

Carrying amount of non-controlling interests acquired	7,911
Consideration paid to non-controlling interests	<u>(18,880)</u>
Excess of consideration paid recognised in the capital reserve within equity (Note 19)	<u><u>(10,969)</u></u>

#### 41 Related party transactions

The Company's parent company is AEHC, a state-owned enterprise established in Anhui Province, the PRC, and is controlled by PRC government. It owns a significant portion of the expressway assets in Anhui Province.

In accordance with HKAS 24 (Revised), "Related Party Disclosures", government related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the PRC government are defined as related parties of the Group. On that basis, related parties include AEHC and its subsidiaries (other than the Group), other government-related entities and their subsidiaries, other entities and corporations in which the Company is able to control or exercise significant influence and key management personnel of the Company and AEHC as well as their close family members.

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

#### 41 Related party transactions (continued)

##### (a) Name of related party and relationship

Name	Relationship with the Group
AEHC	Parent company
Xuan Guang	Subsidiary
Ningxuanhang	Subsidiary
Guangci	Subsidiary
Wan Tong Pawn	Subsidiary
XCIC	Non-controlling interest of Xuan Guang, Ningxuanhang and Guangci
XCCC	Non-controlling interest of Ningxuanhang until 27 January 2012
AEAC	Associate
WTMC	Subsidiary of AEHC
YTMC	Subsidiary of AEHC
Anlian Expressway Co., Ltd. ("安徽安聯高速公路有限公司", "ALEC")	Subsidiary of AEHC
Anhui Fuzhou Expressway Co., Ltd. ("安徽省阜周高速公路有限公司", "AFEC")	Subsidiary of AEHC
Anhui Expressway Investment Co., Ltd. ("安徽省高速公路投資有限公司", "AEIC")	Subsidiary of AEHC
Anhui Expressway Petrochemical Co., Ltd. ("安徽省高速石化有限公司", "AEPC")	Subsidiary of AEHC
Anhui Expressway Project Management Co., Ltd. ("安徽省高等級公路工程監理有限公司", "AEPMC")	Subsidiary of AEHC
Anhui Modern Transportation Facilities Co., Ltd. ("安徽省現代交通設施工程有限公司", "MTFC")	Subsidiary of AEHC
Anhui Expressway Experiment Research Centre ("安徽省高速公路試驗檢測科研中心", "AERC")	Subsidiary of AEHC
Hefei Bangning Property Management Company ("合肥市邦寧物業管理有限公司", "BNMC")	Subsidiary of AEHC
Anhui New Tongji Expressway Project Experiment Co., Ltd. ("安徽新同濟公路工程試驗檢測有限公司", "ATPEC")	Subsidiary of AEHC
Anhui Expressway Construction Headquarter ("安徽省高等級公路建設指揮部", "AECH")	Subsidiary of AEHC

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

## 41 Related party transactions (continued)

### (b) Related party transactions

Same as disclosed elsewhere in this report, during the years ended 31 December 2012 and 2011, the Group had the following significant transactions with related parties:

#### (i) Service income from management of toll roads

	Year ended 31 December	
	2012	2011
AEHC	16,075	12,901
ALEC	1,467	1,467
AFEC	1,003	1,003
	<u>18,545</u>	<u>15,371</u>

#### (ii) Rental income

	Year ended 31 December	
	2012	2011
AEPC*	20,113	15
YTMC (Note 27(a))	10,358	9,060
AEHC	2,246	—
AECH	1,907	—
AEAC	853	—
MTFC	597	241
ALEC	505	—
WTMC	58	—
	<u>36,637</u>	<u>9,316</u>

\* Pursuant to a lease agreement with AEPC, the Company's gas stations in toll road service sectors and office building were leased to AEPC with annual rental fee of RMB 26,492 thousand and RMB 350 thousand respectively. The lease period of gas stations in toll road service sectors was from 1 April 2012 to 31 March 2015. The lease period of office building was from 1 September 2011 to 31 August 2013.



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

#### 41 Related party transactions (continued)

##### (b) Related party transactions (continued)

##### (iii) Paid and payable for construction, testing service and property management

	Year ended 31 December	
	2012	2011
BNMC	3,525	5,929
MTFC	2,850	18,408
AEPMC	2,424	7,365
AEIC	1,262	—
AERC	109	3,749
ATPEC	63	—
	<u>10,233</u>	<u>35,451</u>

It mainly represented payable to above related parties for construction and testing services in connection with the office building construction project, and property management service in connection with High-tech Park, which is owned by the Company.

##### (iv) Interest expenses for interest bearing long-term payables

	Year ended 31 December	
	2012	2011
XCIC	<u>1,072</u>	<u>411</u>

##### (v) Paid and payable for advertisement service

	Year ended 31 December	
	2012	2011
AEAC	<u>589</u>	<u>700</u>

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

#### 41 Related party transactions (continued)

##### (b) Related party transactions (continued)

###### (vi) Guarantee received

The full amount of principal and interest of corporate bonds is unconditionally and irrevocably guaranteed by AEHC (Note 22).

The long-term bank borrowing of RMB 152,000 thousand was guaranteed by XCIC (Note 22).

###### (vii) Key management compensation

Key management includes directors (executive and non-executive), the Company Secretary, the head of Internal Audit and the head of Finance Department. The compensation paid or payable to key management for employee services is shown below:

	Year ended 31 December	
	2012	2011
Salaries and other short-term employee benefits	3,853	3,549

###### (viii) Transactions with the State-owned Enterprises

	Year ended 31 December	
	2012	2011
Borrowings from banks	146,300	90,000
Toll road repair and maintenance cost paid and payable	17,601	21,583
Toll road construction/upgrade cost paid and payable	518,003	483,150
	681,904	594,733

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

#### 41 Related party transactions (continued)

##### (c) Related party balances

###### (i) Trade and other receivables (excluding current portion of loans to subsidiaries)

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
YTMC	734	3,756	734	3,756
Ningxuanhang	—	—	—	5,363
AEHC	—	32,919	—	—
AEAC	—	10,298	—	10,298
XCIC	—	5,569	—	—
MTFC	—	1	—	1
State-owned Enterprises	70,135	124,851	69,763	122,790
	<u>70,869</u>	<u>177,394</u>	<u>70,497</u>	<u>142,208</u>

###### (ii) Trade payables

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
AETMC	2,090	5,150	1,112	4,550
MTFC	1,752	7,354	1,294	6,896
AERC	1,690	590	1,384	468
BNMC	164	816	164	816
AEAC	10	—	10	—
State-owned Enterprises	209,372	119,479	99,294	119,479
	<u>215,078</u>	<u>133,389</u>	<u>103,258</u>	<u>132,209</u>

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

#### 41 Related party transactions (continued)

##### (c) Related party balances (continued)

##### (iii) Other payables

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
AEHC	2,358	6,937	2,178	—
MTFC	436	526	77	167
YTMC	161	161	161	161
APEMC	129	1,137	—	—
AERC	100	—	—	—
ATPEC	100	—	—	—
AEAC	27	—	17	—
Xuan Guang	—	—	45,915	22,704
Guangci	—	—	26,844	—
XCIC	—	6,665	—	—
State-owned Enterprises	44,155	26,649	38,801	26,649
	<u>47,466</u>	<u>42,075</u>	<u>113,993</u>	<u>49,681</u>

##### (iv) Long-term payables (including current portion)

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
XCIC	370,719	298,653	—	—
AEHC	152,325	12,119	—	—
XCCC	—	68,268	—	—
	<u>523,044</u>	<u>379,040</u>	<u>—</u>	<u>—</u>

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

#### 41 Related party transactions (continued)

##### (c) Related party balances (continued)

##### (v) Loans to subsidiaries (including current portion)

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
Xuan Guang	—	—	232,716	219,197
Ningxuanhang	—	—	563,673	406,445
	—	—	796,389	625,642

As at 31 December 2012 and 2011, amounts due from and due to the related parties as aforementioned, except for long-term payables to XCIC and AEHC as disclosed in Note 24 and loans to subsidiaries as disclosed in Note 12, mainly arose from the above transactions and payments made by the Group/Company and related parties on behalf of each other. These amounts are unsecured, interest-free and are repayable within 1 year.

##### (vi) Bank deposits and borrowings with state-owned banks

	Group		Company	
	As at 31 December		As at 31 December	
	2012	2011	2012	2011
State-owned banks-bank deposits	71,455	221,318	24,295	150,720
State-owned banks-borrowings	375,350	303,100	46,300	—


#### 42 Events after the balance sheet date

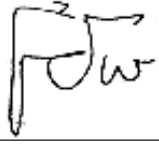
- (a) Pursuant to a resolution of the Board of Meeting on 22 March 2013, a cash dividend of RMB 331,722 thousand was proposed. Please refer to Note 35 for details.

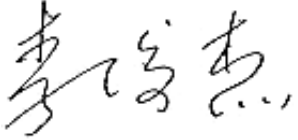
## Confirmation Opinion to 2011 Annual Report by Directors and Senior Management

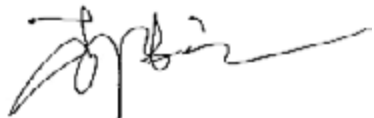
Being the Directors and Senior Management of Anhui Expressway Company Limited, we hereby confirm in writing that the content of the 2011 annual report is authentic, accurate, complete, of the opinion that there are no false representations or misleading statements contained in or material omissions from this report; and shall be severally and jointly accept responsibility for the authenticity, accuracy and completeness of the content of this report.

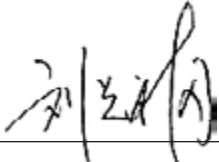
Directors' Signature:

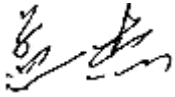
Zhou Renqiang: 

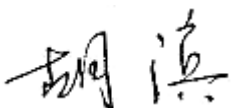
Tu Xiaobei: 

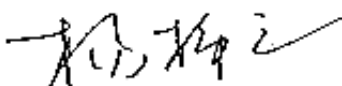
Li Junjie: 

Li Jiezh: 

Liu Xianfu: 

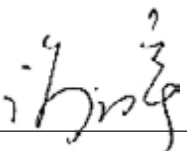
Meng Jie: 

Hu Bin: 

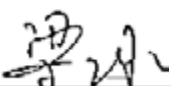
Yang Mianzhi: 

To Cheng Chi: 

Senior Management Members' Signatures:

Xie Xinyu: 

Wang Changyin: 

Liang Bing: 

22 March 2013

## Appendix:

### I. Profile of the highways

Name of roads	Length (km)	Number of lanes	Number of toll stations	Number of service areas	Terms of operation
Hening Expressway	134	4 (part of 8 Lanes)	8	4	Commencing from 16 August 1996 to 15 August 2026
New Tianchang Section of National Trunk 205	30	4	1	—	Commencing from 1 January 1997 to 31 December 2026
Gaojie Expressway	110	4	3	4	Commencing from 1 October 1999 to 30 September 2029
Xuanguang Expressway	84	4	4	2	Commencing from 1 January 1999 to 31 December 2028 (South Ring Road: Commencing from 1 September 2003 to 31 December 2028)
Lianhuo Expressway Anhui Section	54	4	5	1	Commencing from 1 January 2003 to 30 June 2032
Guangci Expressway	14	4	1	—	Commencing from 20 July 2004 to 20 July 2029
Ninghuai Expressway Tianchang Section	14	6	1	1	Commencing from 18 December 2006 to 17 June 2032
Ningxuanhang Expressway (Anhui Section)	122	4			As at 31 December 2010, it was under construction.

#### Hening Expressway (G40 Hushan Expressway Hening Section)

Hening Expressway is a 134km long dual carriageway four-lane expressway owned by the Company in Anhui Province linking Dashushan and Zhouzhuang (the Dashushan to Longxi Overpass Section is of eight-lane). This expressway forms an integral part of the “Two Verticals and Two Horizontals” National Trunk Highway from Shanghai to Chengdu in Sichuan Province, which also forms part of the National Trunk 312 linking Shanghai and Yining in Xinjiang. It is currently a major source of profit and cash flow for the Company.

#### The New Tianchang Section of National Trunk 205

The New Tianchang Section of National Trunk 205 is a dual carriageway four-lane vehicular highway of Class 1 standard of 30km long situated in Tianchang in Anhui Province. Tianchang Section is a part of National Trunk 205, which starts in Shanhaiguan, Hebei Province and ends in Guangzhou, Guangdong Province. This national trunk also forms part of the highway linking Lianyungang and Nanjing in Jiangsu Province.

**Ninghuai Expressway Tianchang Section**

Ninghuai Expressway Tianchang Section is an important road section of Ninghuai Expressway, with a whole length of 13.989km, and has the standard of dual carriageway six-lane expressway. It was completed and opened to traffic on 18 December 2006. The road runs through Tianchang city east of Anhui Province, starting from the terminal of the Jiangsu Nanjing Section of Ninghuai Expressway in Tianchang city, and ending at the Jiangsu Huaian Section of the Ninghuai Expressway. It is an important part in the key highway and national “7918” expressway network from Changchun to Shenzhen for the economic development of the eastern Anhui and the whole of northern Jiangsu, at the same time is also an important part in the key backbone in the trunk road network in Anhui Province. It directly or indirectly links various National Trunks of Hurong, Jinghu, Tongshan, Lianhuo, Ninghang and national key planned highway constructions of Jiayin to Nanping, Shanghai to Luoyang.

**Gaojie Expressway (G50 Huyu Expressway Gaojie Section)**

The Gaohe to Jiezidun Expressway, with a length of approximately 110km, is an existing dual carriageway four-lane expressway that forms part of the “Two Verticals and Two Horizontals” National Trunk System between Shanghai to Chengdu in Sichuan. The Expressway, originating from Gaohe Town, Huaining County, Anhui Province, links up with the Hening Expressway, operated by the Company, through Heife-Anqing Highway and terminates at the border between Hunan and Anhui at Jiezidun, Susong County, Anhui Province. It further runs westward to link up with cities like Wuhan, Chongqing and Chengdu and is an important trunk road that links up the central and western region with the southeastern coastal region.

**Xuanguang Expressway (G50 Huyu Expressway Xuanguang Section)**

The Xuanzhou to Guangde Expressway is an existing dual carriageway four-lane expressway located in the south-eastern part of Anhui Province with total mileage of 84km constructed in two phases. Xuanzhou-guangde section, which is about 67km long, was opened to traffic in September 1997. Xuanzhou south ring road is a 17km long expressway, which links Xuanguang Expressway near Shuangqiao, Xuanzhou, and was opened to traffic in July 2001 and merged into the Company in August 2003. This expressway starts from Xuanzhou in Anhui Province and ends near Jiepai, Guangde in Anhui Province and forms part of the National Trunk 318 extending from Shanghai to Nielamu in Tibet. National Trunk 318 is a key transport artery, linking the coastal regions with the inland and the western boarder of the PRC.

**Guangci Expressway (G50 Huyu Expressway Guangci Section)**

Guangci Expressway is an important part of Hefei-Hangzhou Highway, as well as a significant component of “one of the horizontal roads” designed in the highway network of Anhui province—“two roads along the rivers, three vertical roads, six horizontal roads and nine roads between cities”. The 14km-long route starts from Xuanguang Expressway, and stretches all the way to Cishangang-Jiepai Expressway which has been open to traffic with its whole length within the territory of Guangde County. Guangci Expressway is an inter-provincial highway connecting Hefei to Hangzhou, Shanghai, Jiangsu to Mount Huangshan and Hangzhou, which plays an important role in promoting the opening up and development as well as the economic growth of Wan-nan Area of Anhui province, and in strengthening the cooperation and exchange among Anhui, Jiangsu, Zhejiang and Shanghai provinces.



**Lianhuo Expressway Anhui Section (G30 Lianhuo Expressway Anhui Section )**

Lianhuo Expressway Anhui Section is a 54km long dual carriage four-lane expressway, part of the “Two Verticals and Two Horizontals” National Trunk between Lianyungang and Huoerguosi in Anhui Province. Connecting with the highways located in Henan and Jiangsu Province and the expressways between Beijing and Fuzhou, it plays an important role in China’s politics, economy, military affairs and National Truck Networks.

**Ningxuanhang Expressway Tianchang Section**

Ningxuanhang Expressway Tianchang Section is a 122km long dual carriage four-lane expressway with asphalt concrete road surface, which starts at the border between Anhui and Jiangsu at Jinshankou, passing through Xuancheng and Ningguo, terminates at the boarder between Anhui and Zhejiang at Qianqiuguan. This expressway forms an important part of the “Four Verticals and Eight Horizontals” of expressway network in Anhui Province, which is the tie communicating Anhui and Zhejiang and linking two big economic regions of Nanjing and Hangzhou. This expressway is planned to construct by three sections, the first is Xuancheng to Ningguo section with total of 44km, the second is Gaochun to Xuancheng section with total of 33km and the third is Ningguo to Qianqiuguan section with total of 45km.

**II. Vehicles classification and toll Rates (effective from 0:00 a.m 10 November 2010)**

- **Vehicles classification and toll rates for expressways (Ninghuai Expressway Tianchang Section excluded)**

Unit: vehicle km

<b>Vehicles type</b>	<b>Passenger vehicles</b>	<b>Toll rates</b>
Type 1	7 seats or below (including 7 seats)	RMB 0.45
Type 2	Between 8 seats and 19 seats	RMB 0.80
Type 3	Between 20 seats and 39 seats	RMB 1.10
Type 4	40 seats or above (including 40 seats)	RMB 1.30

– **Vehicles Classification and Toll Rates of Ninghuai Expressway Tianchang Section (effective from 0:00 a.m 10 January 2012)**

Vehicles type	Passenger vehicles	Toll rates (RMB/km)	Minimum toll collection
Type 1	7 seats or below (including 7 seats)	0.45	5
Type 2	Between 8 seats and 19 seats	0.675	10
Type 3	Between 20 seats and 39 seats	0.90	10
Type 4	40 seats or above (including 40 seats)	0.90	10

**Toll rates of New Tianchang Section of National Trunk 205**

Type of Vehicles	Toll Rates
Motor bicycles and tricycles	RMB3 per vehicle
Small tractors (including manual tractors) and other four-wheeled small and simple mechanical vehicles	RMB5 per vehicle
Passenger wagons below 20 seats	RMB10 per vehicle
Passenger wagons between 20 and 50 seats (including 50 seats)	RMB15 per vehicle
Passenger wagons over 50 seats	RMB25 per vehicle

### III. Toll rates applicable to goods vehicles with reference to their weight

**Toll rates applicable to goods vehicles with reference to their weight on expressways**

**1. Weight toll rates for expressways**

Gross weight of goods vehicle	< 10 tonnes	10 tonnes < Gross weight of goods vehicle < 40 tonnes	>40 tonnes
Basic toll rate	RMB0.09/tonnes for every km	RMB0.09/tonnes for every km and will be for every km linearly reduced to RMB0.05/tonnes for every km	RMB0.05/tonnes for every km

- Notes
1. Vehicles, which weight less than 5 tonnes, shall be charged according to 5 tonnes scale
  2. If the toll chargeable is less than RMB20, RMB20 shall be charged
  3. The toll charges less than RMB2.5 will be rounded down, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

**2. Toll rates applicable to goods vehicles with reference to their weight of New Tianchang Section of National Trunk 205**

<b>Gross weight of goods vehicle</b>	<b>&lt; 10 tonnes</b>	<b>10 tonnes &lt; Gross weight of goods vehicle &lt; 40 tonnes</b>	<b>&gt;40 tonnes</b>
Basic toll rate	RMB1.5/ton vehicle	RMB1.5/ton vehicle and will be linearly reduced to RMB1.1/ ton vehicle	RMB1.1/ton vehicle

Notes 1. If the toll chargeable is less than RMB10, RMB10 shall be charged

2. The toll charges will be rounded up. For expressways, less than RMB2.5 will be rounded down to the nearest RMB10, for RMB2.51-RMB7.5 will be rounded down to the nearest RMB5, and for RMB7.51-RMB9.99 will be rounded up to the nearest RMB10.

**Extra tolls to be imposed on overloaded goods vehicles:**

- Overweight within 30% (including 30%), adjusted toll rate is RMB0.09/tonne per Kilometer.
- Overweight between 30% and 100% (including 100%), adjusted toll rate is between 3 times of RMB0.09/tonne per kilometer and increased linearly to 6 times of RMB0.09/tonne per kilometer.
- Overweight more than 100%, adjusted toll rate is 6 times of RMB0.09/tonne per kilometer.

The standards for overloaded goods vehicles and extra toll rates as stipulated for expressways will be applicable for New Tianchang Section of National Trunk 205.

### National Trunk Highways



# The Map of the Highway Network of Anhui Province





**Anhui Expressway Company Limited**