YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

Annual Report 2012

越秀交通
YUEXIU TRANSPORT
Stock Code: 01052

CONTENTS

FIVE YEARS FINANCIAL SUMMARY

INCOME STATEMENT

Year ended 31 December

(RMB'000)	**2012**	2011	2010	2009 (Restated)	2008 (Restated)
Revenue	**1,485,211**	1,321,997	1,252,665	1,000,746	922,371
Earnings before interests, tax, depreciation and amortisation ("EBITDA")[1]	**1,406,065**	1,182,515	1,141,945	937,753	954,825
Profit before income tax	**806,245**	859,278	848,055	582,207	760,302
Profit for the year	**557,728**	725,061	701,736	498,727	680,265
Profit attributable to:					
Shareholders of the Company	**426,915**	558,212	534,544	382,350	552,369
Non-controlling interests	**130,813**	166,849	167,192	116,377	127,896
Basic earnings per share for profit attributable to the shareholders of the Company	**RMB0.2552**	RMB0.3336	RMB0.3195	RMB0.2285	RMB0.3300
Dividend per share	**RMB0.163**	RMB0.197	RMB0.187	RMB0.141	RMB0.145

BALANCE SHEET

As at 31 December

(RMB'000)	**2012**	2011	2010	2009 (Restated)	2008 (Restated)
Total Assets	**18,710,701**	16,147,403	13,842,966	12,152,740	10,714,955
Total Liabilities	**8,626,339**	6,187,997	4,156,148	2,692,150	1,849,763
Total Equity	**10,084,362**	9,959,406	9,686,818	9,460,590	8,865,192
Equity attributable to:					
Shareholders of the Company	**8,094,466**	7,933,853	7,813,584	7,619,861	7,407,705
Non-controlling interests	**1,989,896**	2,025,553	1,873,234	1,840,729	1,457,487
Net assets per share to shareholders of the Company	**RMB4.84**	RMB4.74	RMB4.67	RMB4.55	RMB4.43

FINANCIAL RATIOS

Year ended 31 December

	2012	2011	2010	2009 (Restated)	2008 (Restated)
Return on equity attributatble to shareholders of the Company	**5.27%**	7.04%	6.84%	5.02%	7.20%
Interest Coverage	**4 times**	8 times	20 times	15 times	15 times
Gearing ratio[2]	**40.2%**	28.4%	8.40%	Net Cash	Net Cash
Debt ratio[3]	**46.1%**	38.3%	30.0%	22.2%	17.3%

1: EBITDA includes profit from associates and jointly controlled entity, but excludes non-cash gains and losses.
2: net debts÷total capitalization
3: total liabilities÷total assets

FINANCIAL HIGHLIGHTS

RESULTS HIGHLIGHTS FOR 2012

12.3%
Revenue*
RMB1,485 million

10.9%
Gross profit*
RMB983 million

0.9 percentage point
Gross margin*
66.2%

8.4%
Operating profit
RMB891 million

6.2%
Profit before income tax
RMB806 million

23.5%
Profit attributable to shareholders of the Company
RMB427 million

23.5%
Earnings per share
RMB0.2552

15.9%
Total assets
RMB18.71 billion

2.1%
Net assets per share
RMB4.84

* from toll operation

CORPORATE PROFILE

廣州越秀集團有限公司
Guangzhou Yue Xiu Holdings Limited

100%

Yue Xiu Enterprises (Holdings) Limited — 60.65%

Public — 39.35%

Yuexiu Transport Infrastructure Limited

Expressway / Bridge / Port

- • GNSR Expressway / 60%
- • Xian Expressway / 100%
- • Cangyu Expressway / 100%
- • Jinbao Expressway / 60%(1)
- • Han-Xiao Expressway / 90%
- • Changzhu Expressway / 90%
- • Wuzhou Chishuixu Port / 51%
- • Weixu Expressway / 100%

- ▲ Northern Ring Road / 24.3%
- ▲ Humen Bridge / 27.78%(1)
- ▲ Shantou Bay Bridge / 30%
- ▲ GWSR Expressway / 35%
- ▲ Qinglian Expressway / 23.63%

(1) The Group's profit sharing ratio in Humen Bridge and Jinbao Expressway could be referred to notes of 'Business Review' in page 24.

● subsidiaries
▲ associates and jointly controlled entity

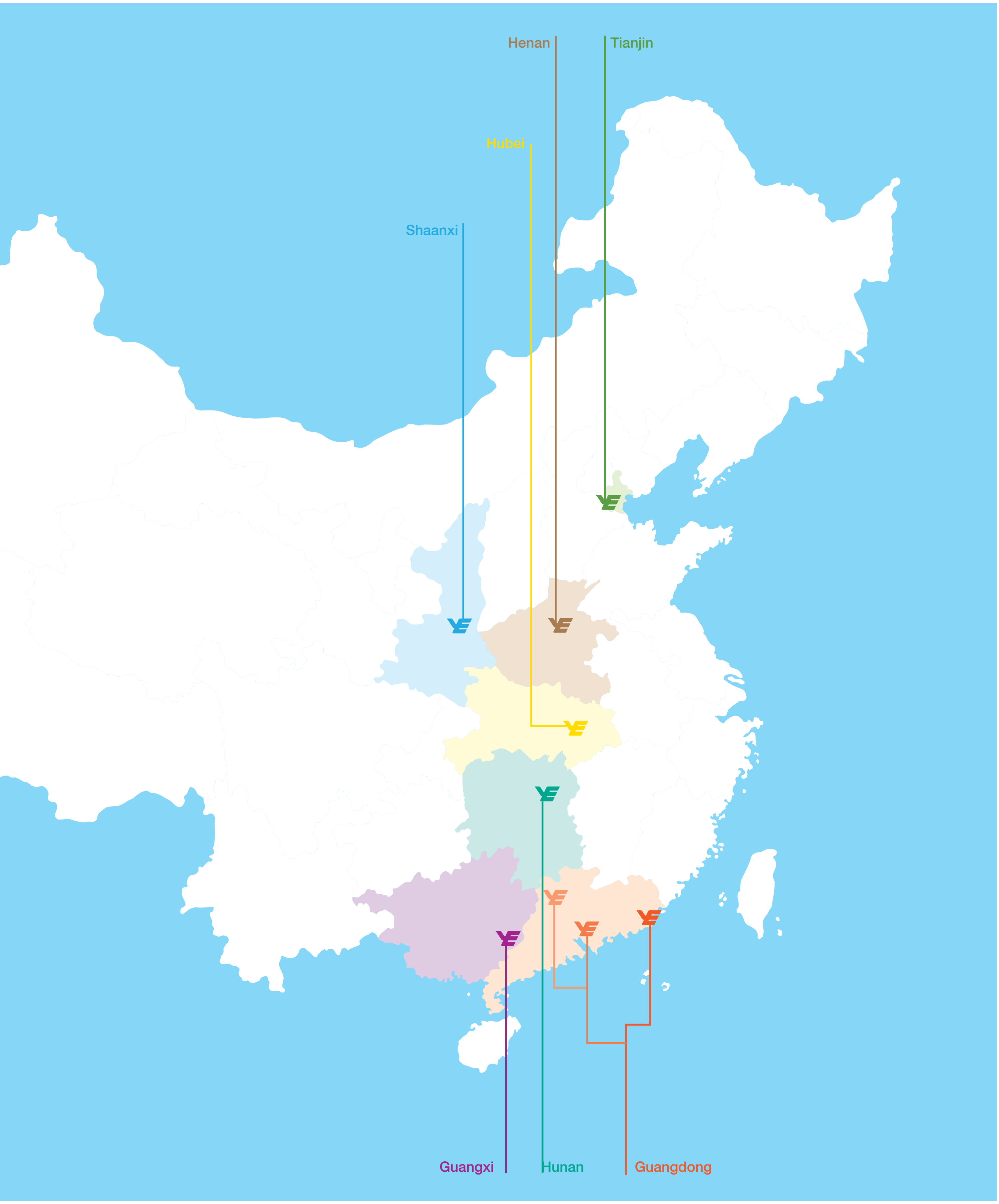
Yuexiu Transport Infrastructure Limited ("Company") and its subsidiaries (collectively, "Group") are principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other high-growth provinces in the People's Republic of China ("PRC"). The Company's substantial shareholder, Guangzhou Yue Xiu Holdings Limited is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission ("SASAC") of the Guangzhou Municipal People's Government.

As at 31 December 2012, the Group had a total of 12 investments in its operating expressways and bridge projects which included Guangzhou Northern Second Ring Expressway ("GNSR Expressway"), Guangzhou Western Second Ring Expressway ("GWSR Expressway"), Guangzhou Northern Ring Road ("Northern Ring Road"), Guangdong Humen Bridge ("Humen Bridge"), Shantou Bay Bridge and Qinglian Expressway, all of which are located within Guangdong Province; Xian to Lintong Expressway in Shaanxi Province ("Xian Expressway"); Cangyu Expressway in Guangxi Zhuang Autonomous Region ("Cangyu Expressway"); Jinbao Expressway in Tianjin Municipality; Han-Xiao Expressway in Hubei Province; Changzhu Expressway in Hunan Province; and Weixiu Expressway in Henan Province.

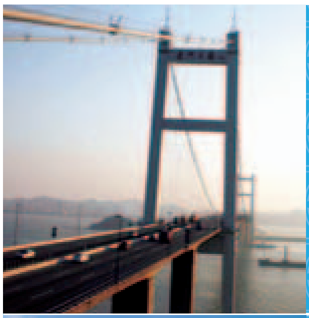
As at 31 December 2012, the attributable toll length of the Group's subsidiaries is approximately 224 km (total toll length is approximately 259.1 km), attributable toll length of the Group's associates/jointly controlled entity is approximately 77.3 km, the total attributable toll length of expressways and bridges is approximately 301.3 km. Moreover, the Group has also invested in a terminal project located in the Chishuixu operation area of the Wuzhou port ("Wuzhou Chishuixu Port").

LOCATION MAPS OF PROJECTS

LOCATION	PROJECTS NAME
GUANGDONG	
Guangzhou City	Humen Bridge
Guangzhou City	GNSR Expressway
Guangzhou City	Northern Ring Road
Guangzhou City	GWSR Expressway
Qingyuan City	Qinglian Expressway
Shantou City	Shantou Bay Brdge
SHAANXI	
Xian City	Xian Expressway
GUANGXI	
Wuzhou City	Cangyu Expressway
Wuzhou City	Wuzhou Chishuixu Port
TIANJIN	
Tianjin City	Jinbao Expressway
HUBEI	
Wuhan City	Han-Xiao Expressway
HUNAN	
Changsha City	Changzhu Expressway
HENAN	
Xuchang City	Weixu Expressway

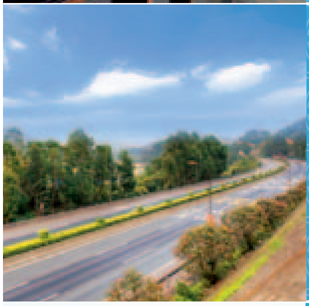

Henan
Tianjin
Hubei
Shaanxi
Guangxi
Hunan
Guangdong

GUANGDONG



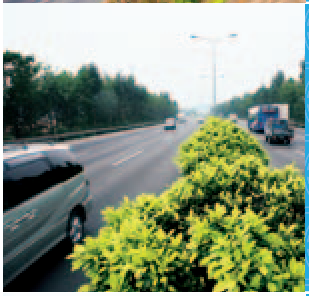
1 - HUMEN BRIDGE

an expressway of approximately 15.8 km long for toll length with a six-lane suspension bridge linking Panyu District of Guangzhou Municipality and Dongguan City. Its two ends are connected to the GS Superhighway and Guangzhou Zhuhai Eastern Expressway.



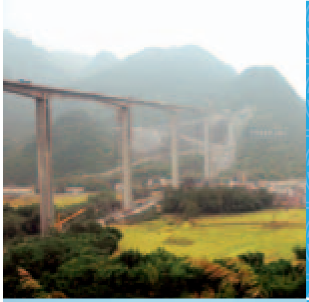
2 - GNSR Expressway

It is a six-lane expressway of approximately 42.5 km for toll length, with 9 flyovers in total. GNSR Expressway also connects with Airport Expressway, G4 National Expressway, Guanghui Expressway, northern extension of Hua Nan Expressway, National Highway 105, 106, 107, 324 and Provincial Highway 1902 and so on.



3 - Northern Ring Road

is located in the urban area of Guangzhou City with a toll length of approximately 22.0 km with six lanes. It links the GS Superhighway in the east and the Guangzhou Foshan Expressway in the west.



4 - Qinglian Expressway

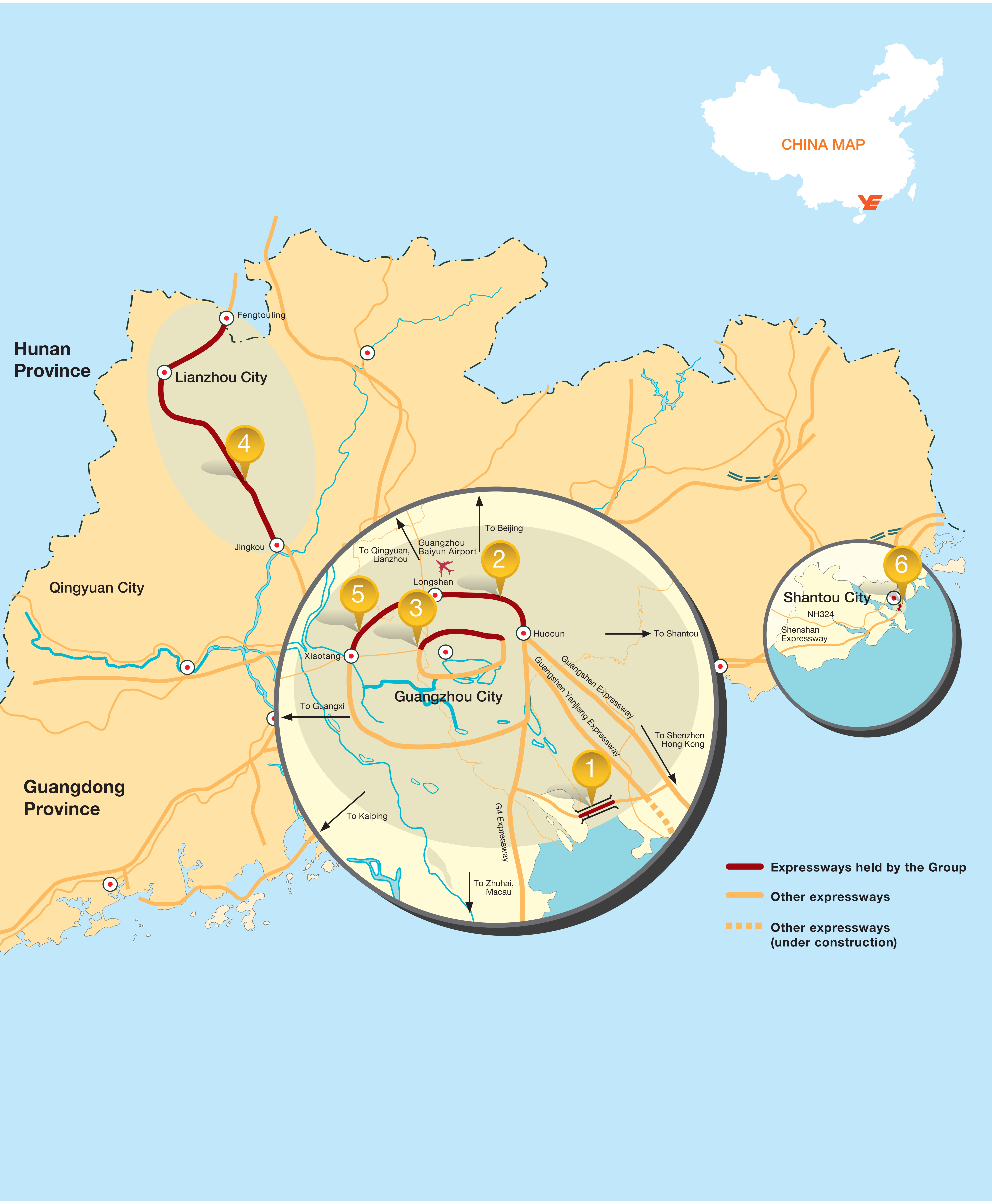
consists of an expressway of approximately 215.2 km long for toll length with four lanes and a Class II Highway of approximately 253.0 km long with two lanes. They are located in the northwestern part of Guandong as well as a significant linkage between Guandong and Hunan.

5 - GWSR Expressway

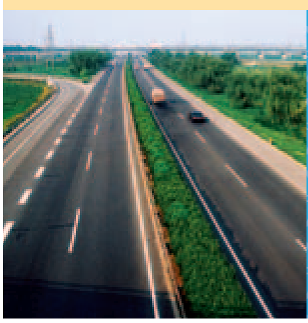
is an expressway of 42.1 km for toll length with six lanes in dual direction which connected to GNSR Expressway, Jingzhu Expressway, Guanghua Expressway, New Airport Expressway, Guangsan Expressway and National Highways 324, 321,105,106,107.

6 - Shantou Bay Bridge

is a six-lane bridge of approximately 6.5 km long for toll length, located in the eastern entrance of Shantou Harbour which connects Shenshan Expressway in the west and stretches over Shantou Harbour Huangsha Bay Sea.


CHINA MAP
Hunan Province
Fengtouling
Lianzhou City
4
Jingkou
Qingyuan City
Guangdong Province
To Beijing
To Qingyuan, Lianzhou
Guangzhou Baiyun Airport
2
Longshan
5
3
Huocun
To Shantou
Xiaotang
Guangzhou City
To Guangxi
Guangshen Expressway
Guangshen Yanjiang Expressway
To Shenzhen Hong Kong
1
To Kaiping
G4 Expressway
To Zhuhai, Macau
6
Shantou City
NH324
Shenshan Expressway
Expressways held by the Group
Other expressways
Other expressways (under construction)

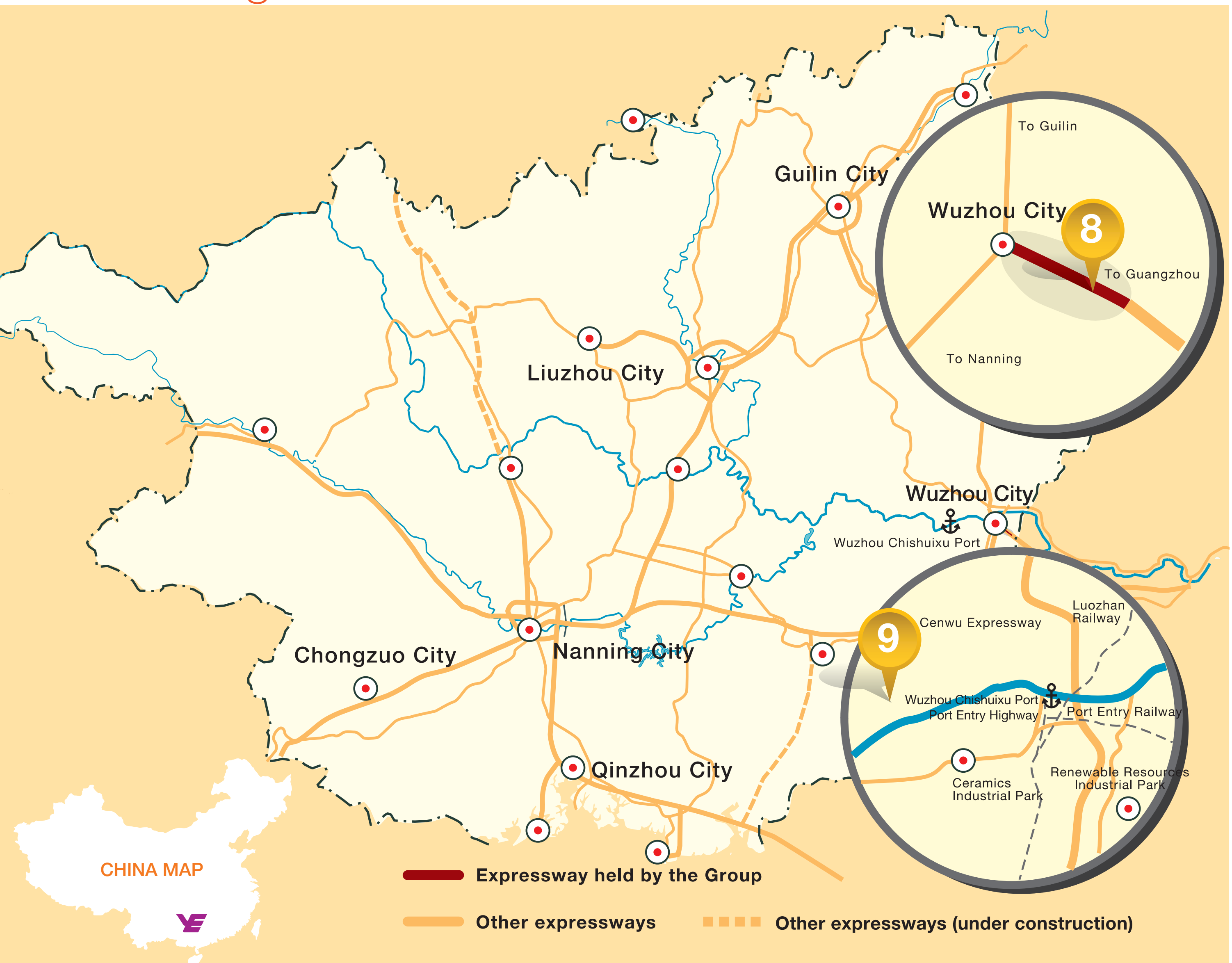
Shaanxi



7 - Xian Expressway

is a section of Xian Tongguan Expressway, a part of National Highway G45 between Lianyungang and Huoerguosi with a toll length of approximately 20.1 km with four lanes and intersects with Rao Cheng Expressway. It is also a major access connecting Xian City to World Famous historical relics and scenic spots such as Terra-Cotta Warriors and Huaging Hot Spring.

Guangxi



8 - Cangyu Expressway

is located in Cangwu County of Wuzhou City in Guangxi Zhuang Autonomous Region, linking the Cangwu County of Guangxi Zhuang Autonomous Region with the Yunan County of Guangdong Province. It also forms a part of the Guangwu Expressway (from Guangzhou to Wuzhou) of approximately 23.3 km long for toll length with four-lane dual direction.

9 - Wuzhou Chishuixu Port

Wuzhou Chishuixu is situated at the Xijiang Gold Water-course in the PRC and is a main inland port at Xijiang. Located 8.2 km upstream from the dam site at Changzhou Water Conservancy Hub in Wuzhou City, the Port has five 2,000-tonne berths (Phase I) with designed annual handling capacity of 1,980,000 tonnes. The Port connects with the Class 1 Port Entry Highway and Nanwhu Class 2 Highway at Kong Liang area. Also, the entry to the Port is only 6 km away from Baomao Expressway. The specialized entry-railway connects the Kong Liang station of the Wuzhou section of Luozhan Railway.

Location Maps of Projects

Tianjin

10 - Jinbao Expressway

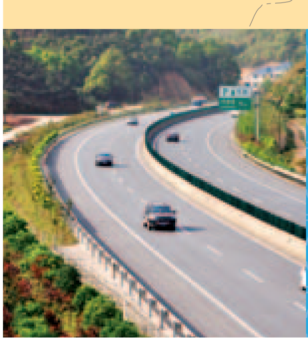
is located in the west of Tianjin Municipality, intersecting with Hebei Province, and linking the Jinbao Expressway (Hebei section), Jinjin Expressway, Jinghu Expressway and Tianjin Waihuan Lane etc, with a toll length approximately of 23.9 km with four-lane dual direction.

Hubei

11 - Han-Xiao Expressway

started from Huangpi District, Wuhan city and ended at Xiaonan District, and its connection with Wuhan Tianhe Airport (Airport Northern Extension) has opened to traffic since 18 November 2011. The toll length is approximately 38.5 km. Han-Xiao Expressway also connects with Wuhan Airport Expressway, G4 Expressway, Wuhan Ring Road, Daijiashan-Huangpi Expressway and Xiaoxiang Expressway.

Hunan



12 - Changzhu Expressway

started from Huanghua Village in the Changsha County, Changsha City, while ending at northwest of Zhuzhou Electric Factory. Changzhu Expressway has a toll length approximately of 46.5 km with four lanes, having a road foundation of 26 meters wide. It connects with Changsha Huanghua International Airport and adjoined to Changsha Airport Expressway, Changsha City Ring Road, Changsha-Changzhou Expressway, Chang-Liu Expressway, Li-Tan Expressway and Lian-Yi Expressway.

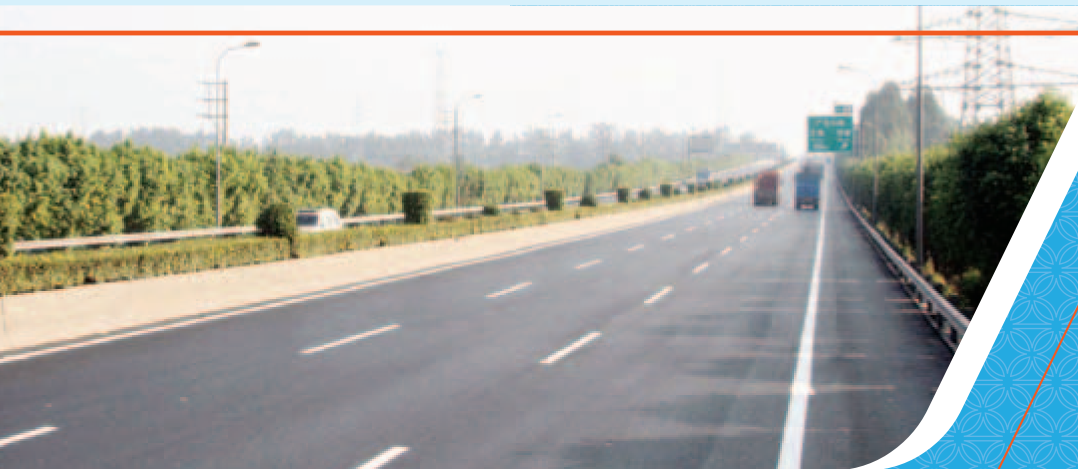
Henan

13 - Weixu Expressway

started from Zhangzhuangxi, which was at the northeast of Weishi County at Weishi interchange in Lankao-Weishi Expressway, extended to the southwest and ends at the Sunliuzhao interchange in Xu-Ping-Nan Expressway, through which it also intersects with the G4 Expressway. At northeast direction the Weixu Expressway connects the expressway network of Shandong Province through the Lankao-Weishi Expressway and at southwest it connects Xiangyang City, Hubei Province through Pingnan Expressway Erguang Expressway. The toll length of Weixu Expressway is approximately 64.3 km.

Chairman's Statement



CHAIRMAN'S STATEMENT

Chairman
Mr. Zhang Zhaoxing

"On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries for the year ended 31 December 2012."

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2012 (the "Reporting Year"), the Group (being the Company and its subsidiaries) has completed the acquisition of Weixu Expressway which has been incorporated into the consolidated financial statements of the Group since 28 May 2012. Following the acquisition, the project contributed positively to the Group's overall results for the Reporting Year.

The Group's toll revenue reached a new historical record in the Reporting Year by increasing 12.3 percent year-on-year to RMB1,485 million. Profit attributable to shareholders amounted to RMB427 million, which was primarily affected by the factors of a slowing economy, a change in tax rates and policy changes in the toll road sector.

The Board has recommended the payment of a final dividend for 2012 of HK$0.11 per share which is equivalent to RMB0.0889706 per share (2011: HK$0.14 per share which was equivalent to RMB0.1139866). Together with the paid interim dividend of HK$0.09 per share which is equivalent to RMB0.0735952 per share, total dividends for the Reporting Year amounted to HK$0.20 per share which is equivalent to RMB0.1625658 per share, representing a dividend payout ratio of 63.7% (2011: 58.9%).

ANNUAL REVIEW AND PROSPECT

- ### Macro-economy

  During the Reporting Year, the global economy, as being nagged by unfavorable factors such as European debt crisis and U.S. fiscal cliff, remained complex and uncertain. Therefore, it might be difficult for a significant recovery to occur in the short term.

  Being confronted with the challenges brought by the global economy, the central government managed to strike a balance amongst steady and rapid growth of economy, adjustment of economic structure and control of inflation, giving priority to steady growth. In 2012, China's GDP amounted to RMB51.93 trillion, representing a year-on-year growth of 7.8%.

- ### Policy changes in the toll road sector

  (1) Unified toll fee standards for expressways across Guangdong Province

  On 31 May 2012, Guangdong Price Administration Bureau (廣東省物價局) and Guangdong Transport Department (廣東省交通運輸廳) jointly issued the Notice on the Enforcement of the Unified Toll Fee Standards for All Expressways in the Province (《關於實施統一全省高速公路車輛通行費收費標準的通知》) (the "Notice"), implementing unified toll fee standards for all expressways in Guangdong Province starting from 1 June 2012 in accordance with the relevant provisions of the Notice. Following the issue of the Notice, toll revenue of certain projects operated by the Group in the province, such as Guangzhou Northern Second Ring Expressway, Guangzhou Northern Ring Road and GWSR Expressway, were affected. Please refer to "Business Review" for further discussion.

  (2) Waiver of toll for Passenger cars during major national holidays

  On 24 July 2012, the Five Ministries jointly issued a new policy statement "The Implementation Plan for Exemption from Toll Charges by Small Passenger Cars During Major National Holidays" (《重大節假日免收小型客車通行費實施方案》)(the "Waiver") endorsed by the State Council. During the reporting period, the Waiver came into effect for the first time and had an impact on the toll revenue of the Group's projects, which is basically in line with our estimate as stated in the 2012 interim report, i.e. the Group's toll revenue is expected to decrease by approximately 3% based on the historical traffic volume and without taking into account the further impact of such factor on the traffic volume.

- ### A focus on the transport infrastructure sector and the disposal of non-core assets

  During the Reporting Year the acquisition of a 100% equity interests in Weixu Expressway, (the agreement of which was signed at the end of October 2011), was completed on 28 May 2012 and the results of Weixu Expressway was consolidated into the Group since then. As a result, the number of the Company's operating subsidiaries increased to eight, basically accomplishing the corporate business plan objective of "Doubling the assets within three years". Weixu Expressway recorded a small profit during the Reporting Period, which was basically in line with our expectation, and would become a new growth driver for the Group.

On 7 November 2012, the Group signed an agreement with Guangzhou Yuexiu Finance Holdings Limited (廣州越秀金融投資集團有限公司) ("Guangzhou Yuexiu Finance Holdings") and agreed to transfer a 4.04% equity interests in Guangzhou Securities to Guangzhou Yuexiu Finance Holdings at a total consideration of approximately RMB201 million. The transaction is still pending for approval by the relevant regulatory authorities. Upon completion, the transaction is expected to contribute a gain of approximately RMB91 million to the Group, which will further enhance the Group's cash position and enable the Group to focus more on the development of its core business, namely toll expressways/bridges.

- Relying on the strategic layout of "establishing a foothold in the Pearl River Delta region, expanding into central and western regions of China" to resist external risks effectively

In recent years, the Group has established a strong foothold in the Pearl River Delta region. In pursuit of its corporate business plan of "Doubling the assets within three years", the Group focused on central and western regions of China which enjoy supportive national policies, rapid economic growth and benefit from the development opportunities arising from the relocation of labor-intensive industries from eastern coastal areas, while continued to improve its operations, manage provincial projects and enhance return on assets. After acquisition of Weixu Expressway, the Group's strategic layout of "establishing a foothold in the Pearl River Delta region, expanding into central and western regions of China" began to take shape.

During the reporting period, the Group's projects in eastern coastal areas recorded a decrease in toll revenue year-on-year under the impact of a slowing economy and policy adjustments. However, the projects in central China acquired in recent years, such as Han-Xiao Expressway, Changzhu Expressway and Weixu Expressway, posted strong double-digit growth in terms of both traffic volume and toll revenue during the reporting period, enabling the Group to record a historical new high in toll revenue despite slower macroeconomic growth and regulatory changes in the toll road sector.

FUTURE PROSPECT

- Macro-economy

From 15 to 16 December 2012, during the economic work conference in Beijing, the central government stated that the global economy in 2013 would remain complex with uncertainties, and would therefore continue its slow growth. The central government stressed the need to strengthen and improve macroeconomic control measures, continue to implement proactive fiscal policies and prudent monetary policies, accelerate industry restructuring, improve the overall industry quality and promote urbanization proactively and steadily. It is expected that China's domestic macro-economy would maintain its steady growth.

- Regulations relating to the toll road sector

The clean-up campaign in toll road sector carried out pursuant to the Notice issued by Five Ministries and Commissions of the Central Government has been provisionally completed. Relevant provincial governments have announced their respective non-compliance rectification proposals. As previously published investigation findings indicated that the total debts of nationwide toll roads amounted to RMB2.3 trillion, most of which were funded by commercial banks. It is expected the central government would have due regard to the issues of significant liabilities and huge funding pressure facing the toll road sector and maintaining the stability of the banking and financial system, before meting out new and stricter measures such as significantly lowering the toll fee standards on the toll road sector.

Since 10 January 2013, the Guangzhou Municipal Government has implemented measures to prohibit non-local trucks from using the first ring road of Guangzhou City in specified hours of a day. Such measures are expected to divert non-local vehicles to the Group's GNSR Expressway and GWSR Expressway, which in turn will drive the growth of their toll revenue. While the unified toll fee standards were implemented across Guangdong Province, Guangzhou was also included in the central Guangdong area toll collection system. It was emphasised at the Transportation Work Conference of Guangdong held on 21 January 2013 that a single unified toll collection system shall be implemented across Guangdong Province within the year. Since toll-by-weight measure was implemented in Eastern Guangdong, Northern Guangdong and Western Guangdong, these measures can further accelerate the progress toward unified toll-by-weight within Guangdong. Such measures will hopefully be implemented within 2013, which will then promote the growth of the toll revenue of the Group's GNSR Expressway and GWSR Expressway.

- **Prospect of our project operations**

  Going forward, the Group's GNSR Expressway, Xian Expressway, Humen Bridge, Northern Ring Road, Shantou Bay Bridge and Cangyu Expressway have become relatively mature, and will continue to be the main sources of stable profit for the Company. Projects in central China acquired in recent years such as Han-Xiao Expressway, Changzhu Expressway and Weixu Expressway will continue to benefit from rapid local economic growth and are expected to maintain strong double-digit growth in terms of traffic volume and toll revenue. In particular, benefiting from the coming up completion of surrounding road networks, Changzhu Expressway will hopefully achieve better operating performance in the future.

- **Expansion of investments**

  The Group will continue to focus on the investment and operations of quality expressways, while still paying close attention to investment opportunities in the following areas in terms of regional strategies: (1) the Pearl River Delta region which is more mature in economic development, with a focus on Guangzhou which has been listed as one of the national central cities; (2) central and western provinces in China, which have enjoyed rapid economic growth, strong support from the central government and development opportunities brought by the relocation of industries from eastern coastal areas.

  The Group remains optimistic about the investment opportunities of transport infrastructure in mainland China, and is actively reserving quality expressway projects. By fully leveraging the advantages of its access to financing platforms both in Hong Kong and mainland China as well as its internal and external resources, the Group will adjust and optimize its debt structure and actively explore diversified debt financing methods in order to lower its overall finance costs. It will also acquire quality projects as and when opportunities arise and optimize its overall asset portfolio to improve the profitability of its assets as a whole and continue to generate reasonable returns to shareholders.

APPRECIATION

During the Reporting Year, our directors, senior management officers and staff continued to adhere to their pragmatic resolute working attitude, in pursuit of performance excellence, and completed a substantial amount of work. On behalf of the Board, I would like to express my sincere gratitude for their invaluable contribution.

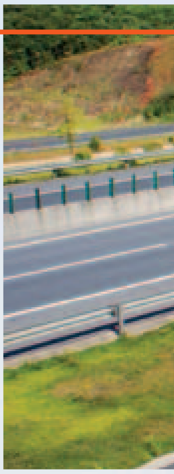
Finally, on behalf of the Board, I would like to take this opportunity to express my gratitude and appreciation to our shareholders, our colleagues in the banking and commercial sectors, and our business partners for their continued support over the years.

Zhang Zhaoxing
Chairman

Hong Kong, 18 March 2013

Management Discussion

And Analysis






MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	9	Expressway	60.00	20
Xian Expressway	20.1	4	3	Expressway	100.00	4
Cangyu Expressway	23.3	4	1	Expressway	100.00	18
Jinbao Expressway	23.9	4	3	Expressway	60.00[(1)]	18
Han-Xiao Expressway	38.5	4	2	Expressway	90.00	25
Changzhu Expressway	46.5	4	5	Expressway	90.00	28
Weixu Expressway[(2)]	64.3	4	2	Expressway	100.00	23
Associates and Jointly Controlled Entity						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78[(3)]	17
Northern Ring Road	22.0	6	10	Expressway	24.30	11
GWSR Expressway	42.1	6	5	Expressway	35.00	18[(4)]
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	16
Qinglian Expressway	215.2	4	17	Expressway	23.63	22

(1) The Group holds 60% interests; profit sharing ratio: 90% up to 2012, 40% from 2013 to 2015, and 60% from 2016 onwards.

(2) The 100% interest of the expressway was successfully acquired on 28 May 2012 and has been included in the analysis of operating projects of the Group since June 2012.

(3) The profit sharing ratio was 18.446% from 2010 onwards.

(4) As approved by Guangdong Provincial Government, the toll term is 24 years commencing from December 2006 and ending in December 2030.

Toll Summary of Toll Roads and Bridges

For the twelve months ended 31 December 2012

	Average daily toll traffic volume (vehicle/day)	Change %	Average daily toll revenue (RMB/day)	Change %	Weighted average toll revenue per vehicle (RMB)	Change %
Subsidiaries						
GNSR Expressway	109,229	3.8%	1,836,686	-7.3%	16.8	-10.7%(1)
Xian Expressway	49,186	5.5%	657,427	5.4%	13.4	0.0%
Cangyu Expressway	10,989	9.3%	273,320	-2.0%	24.9	-10.4%(2)
Jinbao Expressway	24,927	2.8%	328,319	-13.1%	13.2	-15.4%(3)
Han-Xiao Expressway	11,978	28.8%	279,330	30.2%	23.3	1.1%
Changzhu Expressway	11,112	17.6%	326,593	26.3%	29.4	7.4%
Weixu Expressway(4)	10,352	N/A	596,161	N/A	57.6	N/A
Associates and Jointly Controlled Entity						
Humen Bridge	75,081	3.5%	2,854,044	-0.3%	38.0	-3.6%
Northern Ring Road	202,808	12.2%	1,650,852	-3.9%	8.1	-14.3%(1)
GWSR Expressway	34,796	4.1%	713,350	-3.3%	20.5	-7.0%(1)
Shantou Bay Bridge	15,797	7.8%	597,880	6.1%	37.8	-1.6%
Qinglian Expressway	22,827	6.5%	1,463,456	14.2%	64.1	7.2%

(1) Affected by slower macroeconomic growth and the factor of implementation of unified toll collection standards across Guangdong Province since 1 June 2012, the weighted average toll revenue per vehicle of GNSR Expressway, Northern Ring Road and GWSR Expressway decreased on year-on-year.

(2) Affected by the closing of surrounding roads for repair for almost three months and the traffic ban on long-haul passenger vehicles from 2AM to 5AM since 21 September 2012, the number of passing trucks and large passenger vehicles as a percentage of total vehicles dropped, leading to a decrease in the weighted average toll revenue per vehicle year-on-year.

(3) There was a change in the pattern of regional traffic volume since the opening of Binbao Expressway, which runs parallel to this project. The decrease in the proportion of long-distance traffic volumes resulted in a decrease in the weighted average toll revenue per vehicle.

(4) Weixu Expressway's data represented the period from June to December 2012.

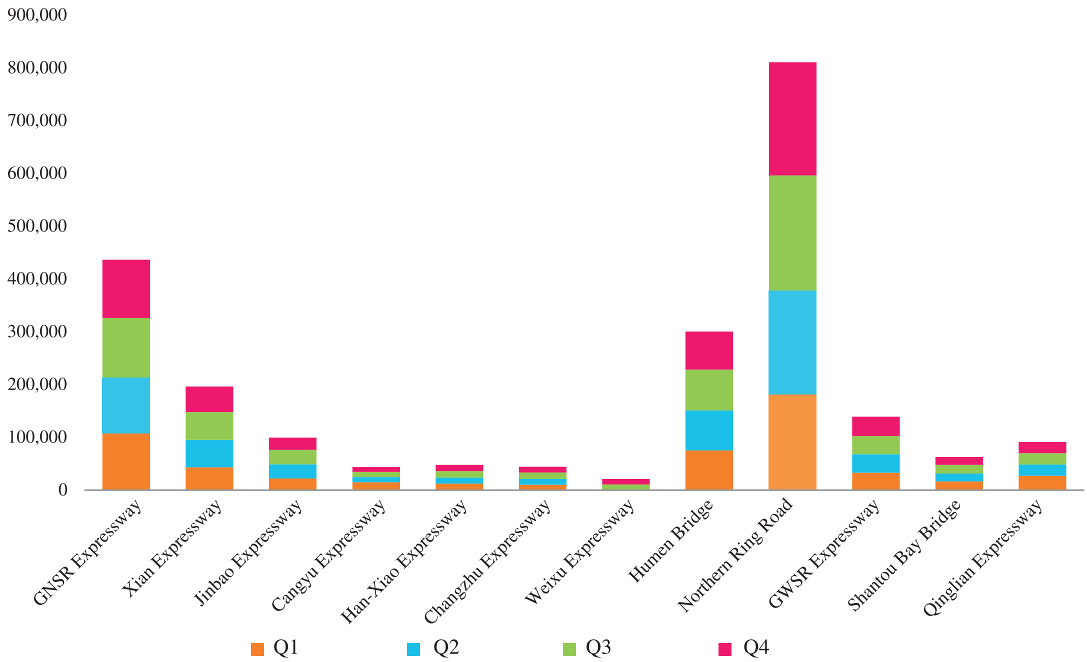
Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 2012

	Average daily toll traffic volume of the first quarter (vehicle/day)	Average daily toll traffic volume of the second quarter (vehicle/day)	Average daily toll traffic volume of the third quarter (vehicle/day)	Average daily toll traffic volume of the fourth quarter (vehicle/day)
Subsidiaries				
GNSR Expressway	108,032	105,543	112,790	110,498
Xian Expressway	43,447	51,800	52,942	48,520
Jinbao Expressway	22,191	26,856	27,106	23,544
Cangyu Expressway	14,780(1)	9,937	10,073	9,197
Han-Xiao Expressway	12,192	11,558	12,172	11,986
Changzhu Expressway	10,286	11,143	12,020	10,992
Weixu Expressway	N/A	N/A	10,797	10,227
Associates and Jointly Controlled Entity				
Humen Bridge	75,123	75,755	77,319	72,134
Northern Ring Road	181,642	196,717	218,267	214,312
GWSR Expressway	33,298	34,631	34,677	36,558
Shantou Bay Bridge	16,576	15,175	16,356	15,082
Qinglian Expressway	27,349(1)	21,339	21,546	21,106

(1) During the Spring Festival, the traffic volume of Cangyu Expressway (being an important road connecting Guangdong Province and Guangxi Province) and Qinglian Expressway (being an important road connecting Guangdong Province and Hunan Province) grew significantly, resulting in a much higher average daily toll traffic volume in the first quarter than that in other quarters.

Quarterly analysis of average daily toll traffic volume for 2012

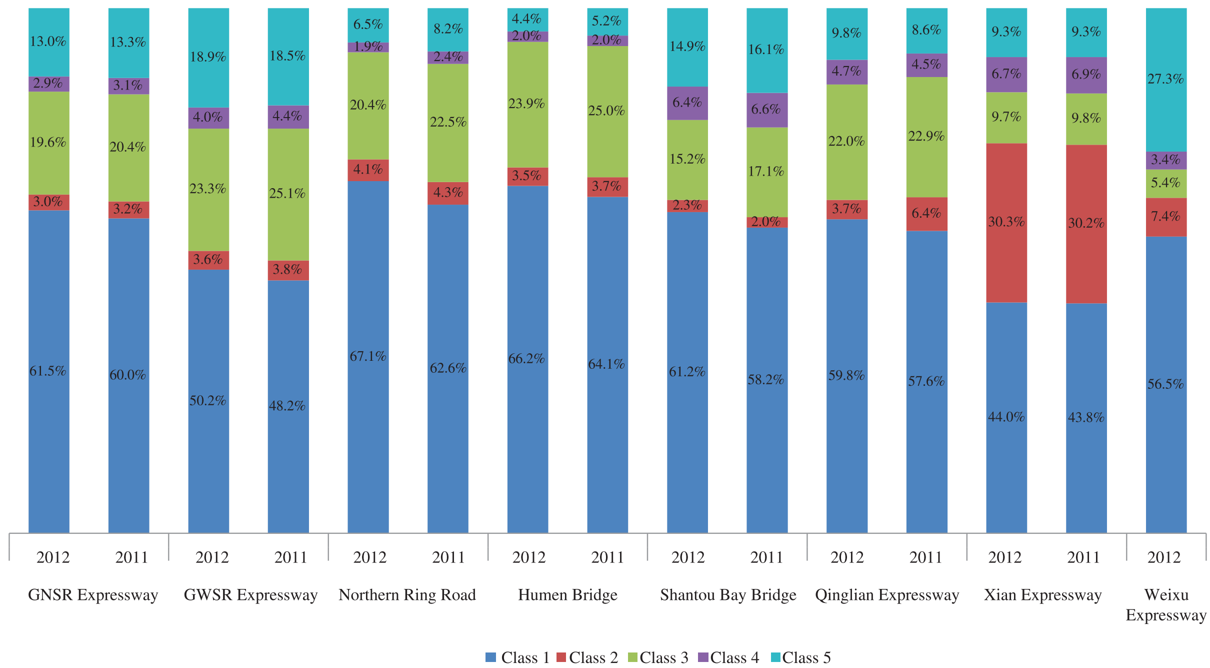


Note: The acquisition of Weixu Expressway was completed on 28 May 2012, and the analysis of average daily toll traffic volume was data for the third and fourth quarters.

Vehicle type analysis (based on statistics of traffic volume)

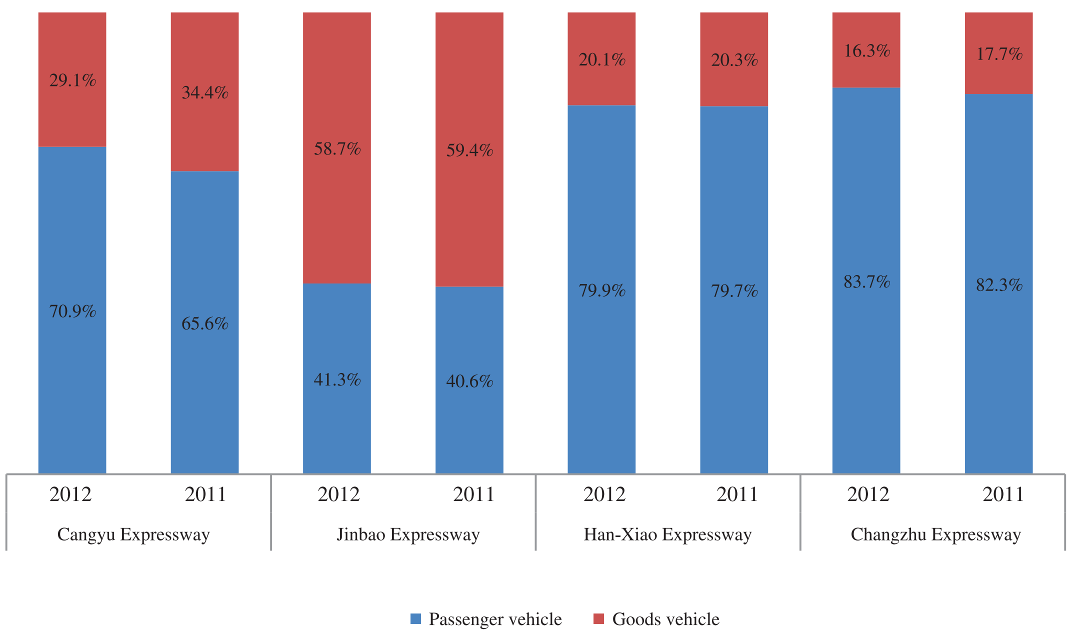
As a result of the implementation of its investment strategies in recent years, the operating projects of the Group have become widely distributed in seven provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Shaanxi, Henan and Tianjin. During the Reporting Year, according to the vehicle type classification, which was based on the location where the Group invested and operated its projects, the vehicle types of projects operated in the provinces of Guangdong, Shaanxi and Henan were classified as Class 1 to Class 5, for projects operated in other areas, the vehicle types were classified into passenger (vehicle) and goods (vehicle).

Projects operated in the provinces of Guangdong, Shaanxi and Henan



Note: The data for Weixu Expressway was for June to December 2012.

Projects operated in other regions



Summary of operating performance

Macroeconomic environment

During the Reporting Year, in the face of increasingly challenging international economic situation and new developments of domestic reform and growth, the Chinese government timely strengthened and improved macroeconomic control and attached greater importance to maintaining growth by taking the transformation of the pattern of economic development as the main thread and adhering to the general working guideline of "making progress while maintaining stability". As a result, national economy maintained slow yet steady growth, and economic and social development made progress while maintaining stability. According to preliminary statistics, China's GDP in 2012 reached RMB51,932.2 billion, an increase of 7.8% year-on-year, and its economy performance remained stable in general. Total demand for national transportation remained steady, and the traffic volume of passenger vehicles and goods vehicles for expressways continued its growth. In 2012, the total nationwide traffic volume of passenger vehicles and goods vehicles for expressways grew by 7.8% and 14.2%, respectively, from last year.

During the Reporting Year, China's motor vehicle market maintained its steady growth, and domestic motor vehicle production and sales volume continued to hit record highs of 19,271,800 units and 19,306,400 units, respectively, representing an increase of 4.6% and 4.3% year-on-year, respectively, maintaining its leading position in the world.

During the Reporting Year, Guangdong Province focused on steady growth, adjusting structure, promoting reform and improving people s livelihood, effectively releasing the pressure of economic downturn and recording a GDP of RMB 5,706.7 billion, representing a year-on-year increase of 8.2% which was higher than the national average growth rate. The economic development in regions where the projects in which the Group had controlling interest (including Shaanxi, Tianjin, Guangxi, Hunan, Hubei and Henan) remained fast growing, the GDP in the full year grew by 12.9%, 13.8%, 11.3%, 11.3%, 11.3% and 10.1% respectively, all of which were higher than the national average growth rate.

(Unit: RMB100 million)

	National	Guangdong Province	Shaanxi Province	Tianjin City	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
GDP in 2012	519,322	57,067	14,451	12,885	13,031	22,154	22,250	29,810
Growth rate in 2012	7.8%	8.2%	12.9%	13.8%	11.3%	11.3%	11.3%	10.1%
Growth rate in 2011	9.2%	10.0%	13.9%	16.4%	12.3%	12.8%	13.8%	11.6%

Source: National and Provincial Bureaux of Statistics, Ministry of Transport

Policy Environment of the Toll Road Sector

During the Reporting Year, the toll road non-compliance rectification carried out by five Ministries and Commissions of the State has been completed in stages. Central and local governments have implemented relevant clean-up measures in light of actual situation. This has no impact on any of the Group's projects, other than the expressway projects invested and operated by the Group in Guangdong Province. Guangdong Price Administration Bureau (廣東省物價局) and Guangdong Transport Department (廣東省交通運輸廳) jointly issued the Notice on the Implementation of the Unified Toll Fee Standards for All Expressways in the Province (關於實施統一全省高速公路車輛通行費收費標準的通知), requiring the unified toll fee standards to be implemented on all expressways in Guangdong Province starting from 1 June 2012: (1) the basic toll rate for expressways with four lanes shall be RMB0.45 per km (standard vehicle), the basic toll rate for expressways with six or more lanes shall be RMB0.60 per km (standard vehicle), the charging factor for Class 1 to Class 5 vehicles shall be 1, 1.5, 2, 3 and 3.5, respectively; (2) half of the average length of rampways for connecting interchange will be counted as toll mileage, the length of each ramp-way shall be measured from the central pole of the ramp-way toll station to the junction between the ramp-way and the main road; (3) RMB1 is the minimum charging unit, rounded to the nearest whole number. The basic toll rate and charging factor for the expressways invested and operated by the Group in Guangdong has been in compliance with the foregoing requirements, but the toll revenue of GNSR Expressway, Northern Ring Road and GWSR Expressway have decreased to varied degrees since June 2012 as a result of the adjustment principles set out in the items (2) and (3) above.

According to the Notice on Approval and Forwarding of the Implementation Proposal of Toll Exemption for Small Passenger Vehicles on Major Festivals and Holidays to the Ministry of Transport, etc. issued by the State Council (國務院關於批轉交通運輸等部門重大節假日免收小型客車通行費實施方案的通知), accordingly, toll-free holiday will be effective for passenger vehicles with seven seats or less during Lunar New Year, Ching Ming Festival, Labor Day, National Day, and any other holidays adhered to those four major holidays approved by the State Council for that year. For a total of eight days from 30 September to 7 October 2012, projects operated and invested by the Group shall allow toll-free passage of small passenger vehicles with no more than seven seats. During the period, the actual toll revenue of seven projects operated by the Group's subsidiaries and five projects operated by associates and jointly controlled entity amounted to RMB17 million (same period of 2011: approximately RMB38 million) and RMB26.40 million (same period of 2011: approximately RMB61 million), respectively, representing a decrease of approximately 55% and 57%, respectively, year-on-year.

During the Reporting Period, expressway and bridge projects of the Group have implemented the Green Passage Toll Free Policy in accordance with relevant State requirements, resulting in the decrease of the Group's toll revenue by approximately RMB95.83 million (from approximately RMB87.02 million in 2011).

Business Improvements and Innovations

During the Reporting Year, the Group strengthened the governance and control of its project companies by carrying out a series of effective activities to improve their internal strengths including expressway marketing, information technology utilization, comprehensive cost control and the establishment of a broad risk management and control system. As such, the Group's corporate governance became more regulated and refined, and it has received the Third Management Science Award which is set up with the approval of National Office for Science & Technology Awards and represents the sole national science and technology award in domestic management science area, as well as the honours of "Hong Kong Outstanding Enterprise" and "The Excellence of Listed Enterprise Awards", respectively, awarded by Economic Digest and Capital Weekly, both are famous finance magazines in Hong Kong. The Group's subsidiaries strive to take the leading position in local industry in terms of operation and management, and have won a number of rewards granted by local transport authorities during the Reporting Year.

Progress of Investments

During the Reporting Year, the relevant approval procedure for the equity transfer of Weixu Expressway project in Henan was completed, and the new project company obtained its business license on 28 May 2012 and became a wholly-owned subsidiary of the Group and was taken over by the Group. Meanwhile, the Group continued to strengthen its investment expansion efforts to identify and reserve some quality expressway projects, and would proceed with the acquisition of selective projects.

Performance of Expressways and Bridges

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll traffic volume was 109,229 vehicles and the average daily toll revenue was RMB1,837,000, representing an increase of 3.8% and a decrease of 7.3%, respectively, when compared with 2011.

During the Reporting Year, as a result of the rapid growth of small car ownership in recent years, toll traffic volume increased slightly, however, slower macroeconomic growth, implementation of unified toll collection standards across Guangdong Province since 1 June 2012, and the traffic restriction on heavy trucks during the repair of Guangqing Expressway which is connected to GNSR Expressway, the average daily toll revenue of GNSR Expressway decreased year-on-year.

Xian Expressway

During the Reporting Year, the average daily toll traffic volume was 49,186 vehicles and the average daily revenue was RMB657,000, representing an increase of 5.5% and 5.4%, respectively, when compared with 2011.

Benefiting from the improvement in the conditions of surrounding road networks and fast development of Shaanxi tourism, the average daily toll traffic volume and toll revenue of Xian Expressway continued to maintain steady growth during the Reporting Year.

Cangyu Expressway

During the Reporting Year, the average daily toll traffic volume was 10,989 vehicles and the average daily toll revenue was RMB273,000, representing an increase of 9.3% and a decrease of 2.0%, respectively, when compared with 2011.

With the rapid growth of car ownership in recent years and the growing cross-regional transportation between Guangdong and Guangxi provinces, the traffic volume of Cangyu Expressway maintained steady growth during the Reporting Year. However, affected by slower macroeconomic growth, the closing of surrounding roads for repair for almost three months and the traffic ban on long-haul passenger vehicles from 2AM to 5AM since 21 September 2012, the number of passing trucks and large passenger vehicles as a percentage of total vehicles dropped, leading to a slight decrease in the weighted average toll revenue per vehicle on a year-on-year basis.

Jinbao Expressway

During the Reporting Year, the average daily toll traffic volume was 24,927 vehicles and the average daily toll revenue was RMB328,000, representing an increase of 2.8% and a decrease of 13.1%, respectively, when compared with 2011.

During the Reporting Year, the average daily traffic volume of Jinbao Expressway maintained steady growth, however, its toll revenue decreased year-on-year, which was mainly due to the change in the pattern of regional traffic volume since the opening of Binbao Expressway and the resulting decrease in the percentage of long-haul toll traffic volume. As for monthly data, the decrease for each month since August 2012 remained basically stable, and the cumulative decrease year-on-year showed a gradual diminishing trend, indicating the impact of Binbao Expressway on Jinbao Expressway started to stabilize gradually.

Han-Xiao Expressway

During the Reporting Year, the average daily toll traffic volume was 11,978 vehicles and the average daily toll revenue was RMB279,000, representing an increase of 28.8% and 30.2%, respectively, when compared with 2011.

Benefiting from positive factors including rapid regional economic growth, continuous improvement in road networks, relocation of Yangsi Port to Yangluo Port, and Han-Xiao Expressway's increasing marketing efforts and improvement in signposts, more and more drivers and passengers became familiar with and chose to use this road section. During the Reporting Year, the average daily toll traffic volume and toll revenue of Han-Xiao Expressway both recorded considerable growth year-on-year.

Changzhu Expressway

During the Reporting Year, the average daily toll traffic volume was 11,112 vehicles and the average daily toll revenue was RMB327,000, representing an increase of 17.6% and 26.3%, respectively, when compared with 2011.

During the Reporting Year, through improvements in signage, strengthening publicity efforts and enhancement in operating service standards by Changzhu Expressway, more and more drivers and passengers became familiar with the Changzhu Expressway and chose to use this road section. Together the positive driving factors such as rapid regional economic growth and official full operation of the Zhuzhou Fangte amusement park, resulted in a rapid year-on-year growth in average daily toll traffic volume and toll revenue.

Weixu Expressway

During the Reporting Year, the average daily toll traffic volume was 10,352 vehicles[(1)] and the average daily toll revenue was RMB596,000[(1)].

Following the completion of its acquisition by the Group on 28 May 2012, the average daily toll traffic volume and toll revenue of Weixu Expressway basically met expectations for acquisition investment. Benefiting from the rapid economic growth of central region provinces, the Weixu project is expected to become a new driver for profit growth of the Group.

Associates and Jointly Controlled Entity

Humen Bridge

During the Reporting Year, the average daily toll traffic volume was 75,081 vehicles and the average daily toll revenue was RMB2,854,000, representing an increase of 3.5% and a decrease of 0.3%, respectively, when compared with 2011.

(1) The operating data for Weixu Expressway was from June to December 2012.

Affected by slower macroeconomic growth, the truck traffic volume of Humen Bridge slightly decreased year-on-year during the Reporting Year, while there was a minor change to the vehicle type structure, which was reflected in the modest increase in the average daily toll traffic volume and the slight increase in toll revenue, as a result of the steady growth in car ownership in recent years and the increasing willingness of people to travel.

Northern Ring Road

During the Reporting Year, the average daily toll traffic volume was 202,808 vehicles and the average daily toll revenue was RMB1,651,000, representing an increase of 12.2% and a decrease of 3.9%, respectively, when compared with 2011.

Benefiting from the continuous growth of car ownership and the rapid expansion of the Guangzhou City, the role of Northern Ring Road in city traffic function becomes more significant. During the Reporting Year, traffic volume of Class 1 vehicles recorded rapid growth. However, due to slower macroeconomic growth and the implementation of unified toll collection standards across Guangdong Province since 1 June 2012, the average daily toll revenue posted a slight decrease.

GWSR Expressway

During the Reporting Year, the average daily toll traffic volume was 34,796 vehicles and the average daily toll revenue was RMB713,000, representing an increase of 4.1% and a decrease of 3.3%, respectively, when compared with 2011.

As a major expressway line in western Guangzhou, GWSR Expressway is connected with a number of expressways. Benefiting from the continuous growth of car ownership, the increasingly willingness of people to travel and the increasing familiarity of drivers and passengers with GWSR Expressway, the toll traffic volume maintained steady growth. Affected by slower macroeconomic growth and the factor of implementation of unified toll collection standards across Guangdong Province since 1 June 2012, the average daily toll revenue decreased slightly year-on-year.

Shantou Bay Bridge

During the Reporting Year, the average daily toll traffic volume was 15,797 vehicles and the average daily toll revenue was RMB598,000, representing an increase of 7.8% and 6.1%, respectively, when compared with 2011.

Benefiting from the industry shift in the surrounding regions, the rapid growth of car ownership and the positive effect of the implementation of collecting toll by weight policy since October 2011 in eastern Guangdong regions, the average daily toll traffic volume and toll revenue of Shantou Bay Bridge showed faster growth year-on-year during the Reporting Year.

Qinglian Expressway

During the Reporting Year, the average daily toll traffic volume was 22,827 vehicles and the average daily toll revenue was RMB1,463,000, representing an increase of 6.5% and 14.2%, respectively, when compared with 2011.

Benefiting from the connection of surrounding road networks, the transit transport function of Qinglian Expressway becomes increasingly important, which enabled the average daily toll traffic volume and toll revenue to maintain stable growth during the Reporting Year.

The following discussion and analysis of the Group's financial condition and operating results should be read in conjunction with the Group's consolidated financial statements and accompanying notes.

FINANCIAL REVIEW

Key operating results figures	Reporting Year RMB'000	2011 RMB'000	Change %
Toll Revenue	**1,485,211**	1,321,997	12.3
Gross profit of toll collection	**983,216**	886,519	10.9
Operating profit	**891,444**	822,277	8.4
Earnings before interests, tax, depreciation and amortization("EBITDA")[1]	**1,406,065**	1,182,515	18.9
Finance costs	**(330,643)**	(161,284)	105.0
Share of results of associates	**179,883**	158,797	13.3
Share of result of a jointly controlled entity	**7,109**	17,298	-58.9
Profit attributable to shareholders of the Company	**426,915**	558,212	-23.5
Basic and diluted earnings per share	**RMB0.2552**	RMB0.3336	-23.5
Dividends	**271,999**	328,787	

[1] EBITDA includes profit from associates and jointly controlled entity and excludes non-cash gains and losses

I. Overview of operating results

Year 2012 was a tough year for toll operators. Apart from the weak macro-environment which dragged down the revenue and earnings growth, toll operators also need to face challenges from toll road sector's investigation and rectification campaign which started since June 2011. The impacts of the toll road industry policy changes to the Group were successively reflected throughout the Reporting Year. In the first half of the Reporting Year, the implementation of Standardization Scheme in Guangdong Province has introduced new rules of calculation of toll distance regarding crossovers. In the second half of the Reporting Year, there was the nationwide implementation of toll-free holiday for passenger vehicles during statutory holidays. Being affected by both the macro-economic slowdown and toll road industry policy changes, GNSR Expressway, GWSR Expressway and Northern Ring Road recorded drop in toll revenue of 7.1 percent, 3.0 percent and 3.7 percent respectively in the Reporting Year. Shantou Bay Bridge began to adopt Toll-by-Weight since 20 October 2011 and its toll revenue grew 6.4 percent to RMB218.8 million. Despite the macro-economic slowdown leading to decline in ratio of truck traffic, Humen Bridge could still maintain the toll revenue level of 2011 to RMB1,044.8 million in the Reporting Year. Jinbao Expressway continued to be affected by Binbao Expressway causing its toll revenue to decline by 12.8 percent to RMB120.2 million in the Reporting Year.

Weixu Expressway was consolidated to the Group in late May 2012 and has contributed RMB130.4 million to toll revenue and RMB16.2 million to profit attributable to shareholders of the Company in the Reporting Year. With the commencement of operation of its Airport North Extension since November 2011, toll revenue of Han-Xiao Expressway grew 30.6 percent in the Reporting Year to RMB102.2 million and RMB11.2 million to profit attributable to shareholders of the Company. After the consolidation of Changzhu Expressway in the second half of 2011, although the Group has to share its full year loss of RMB78.6 million as it is still in its cultivation period (commenced toll operation only in August 2010), yet it has brought in toll revenue of RMB119.5 million in the Reporting Year. The opening of the Liannan section of Qinglian Expressway early in 2011 followed by the opening of Yilian Expressway on 25 September 2011 have boosted the toll revenue of Qinglian Expressway by 14.0 percent to RMB537.2 million in the Reporting Year.

The Group has successfully confirmed with tax authorities that the four Class 1 Highways compensation arrangement was not subject to the business tax liability of RMB72.2 million. The after tax impact of this confirmation has increased the profit attributable to shareholders of the Company by RMB49.2 million. Moreover, pursuant to the supplemental agreement of the compensation receivable, the Group has recorded RMB39.2 million of interest income in the Reporting Year and its net of tax impact has increased the profit attributable to shareholders of the Company by RMB22.6 million.

The various macro-economic control measures imposed by the Central Government since 2011 affecting lending rates of financial institutions have increased the total average interest rates of the Group's finance costs in the Reporting Year, from 5.90 percent in 2011 to 6.26 percent in the Reporting Year. With this interest rate hike, couple with new borrowings brought in from new acquisitions (both onshore loans and offshore loans), finance costs increased by RMB169.4 million or 105.0 percent to RMB330.6 million in the Reporting Year. On 8 June 2012 and 6 July 2012 respectively, the People's Bank of China has adjusted the lending rates of financial institutions downward. In view of this, management anticipates lower effective interest rates in the coming year.

In the Reporting Year, GNSR Expressway's profit tax rate adjusted to 25.0 percent from 12.0 percent in 2011 with the expiration of its tax concession period. As Cangyu Expressway continue to record profit in the Reporting Year, deferred tax asset recorded in second half of 2011 being recognition of its historical unutilised tax losses was reversed proportionately in accordance to the relevant accounting standard and the reversed amount being RMB9.5 million.

Amidst such a difficult year, facing with both challenges and risks from internal and external macro environment, the Group has strived to minimize the decline of the Company's profit caused by those adverse macro impacts and deliver a stable return to its shareholders. In the Reporting Year, the Group's toll revenue increased by 12.3 percent to RMB1,485.2 million while profit attributable to the shareholders of the Company dropped 23.5 percent to RMB426.9 million. The Directors have recommended a final dividend for 2012 of HK$0.11 (2011: HK$0.14) which is equivalent to approximately RMB0.0889706 (2011: RMB0.1139866) per share. Together with the interim dividend, total dividend payout ratio will be 63.7 percent (2011: 58.9 percent).

II. Analysis of operating results

Toll Revenue

The Group recorded toll revenue of RMB1,485.2 million in the Reporting Year represented a 12.3 percent growth over 2011. Toll revenue contribution from the newly acquired Changzhu Expressway (full year's toll revenue contribution in the Reporting Year) and Weixu Expressway (seven months' toll revenue contribution in the Reporting Year) amounted to RMB119.5 million and RMB130.4 million respectively.

Analysis of toll revenue by each controlled toll project

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2011 RMB'000	Percentage of total %	Change %
GNSR Expressway	**672,228**	**45.3**	723,234	54.7	-7.1
Xian Expressway	**240,618**	**16.2**	227,564	17.2	5.7
Weixu Expressway	**130,397**	**8.8**	N/A	N/A	N/A(1)
Jinbao Expressway	**120,165**	**8.1**	137,840	10.5	-12.8
Changzhu Expressway	**119,533**	**8.0**	53,212	4.0	N/A(2)
Han-Xiao Expressway	**102,235**	**6.9**	78,307	5.9	30.6
Cangyu Expressway	**100,035**	**6.7**	101,840	7.7	-1.8
Total	**1,485,211**	**100.0**	1,321,997	100.0	12.3

(1) Acquisition of Weixu Expressway was completed on 28 May 2012. For comparison purpose, toll revenue for the whole year of 2012 amounted to RMB215.4 million compared to 2011of RMB194.4 million, represented 10.9 percent growth.

(2) Acquisition of Changzhu Expressway was completed on 27 June 2011. For comparison purpose, toll revenue from 1 January 2011 to 31 December 2011 amounted to RMB94.4 million by which the toll revenue in the Reporting Year was higher by 26.6 percent.

GNSR Expressway accounted for 45.3 percent (2011: 54.7 percent) to the total toll revenue of the Group's controlled toll projects in the Reporting Year. Being affected by the macro-economic slowdown, causing decline in ratio of truck traffic and with the uniform toll standards having been implemented for expressways in Guangdong Province since 1 June 2012, toll revenue of GNSR Expressway in the Reporting Year dropped by 7.1 percent to RMB672.2 million.

Xian Expressway, ranked second in terms of toll revenue contribution. Driven by the development of the area's tourism industry, toll revenue of Xian Expressway grew 5.7 percent to RMB240.6 million which represented approximately 16.2 percent (2011: 17.2 percent) of the total revenue from the controlled toll projects.

Weixu Expressway was consolidated to the Group in late May 2012 and with its seven months of revenue consolidated to the Group, it ranked third in terms of toll revenue contribution. From date of consolidation up to the end of the Reporting Year, its toll revenue amounted to RMB130.4 million. For comparison purpose, toll revenue for the full Reporting Year amounted to RMB215.4 million compared to 2011 of RMB194.4 million, represented 10.9 percent growth. Pursuant to the requirements of the relevant industry regulatory authority in Henan Province, second split is implemented for toll revenue. As the second split result for the month of December 2012 is yet to be confirmed, the Group has made reference to the second split ratio disclosed in the latest audited report of Weixu Expressway and provided a second split deduction in the toll revenue recognised in the Reporting Year.

Jinbao Expressway, ranked fourth in terms of toll revenue contribution, declined 12.8 percent in the Reporting Year to RMB120.2 million, represented approximately 8.1 percent (2011: 10.5 percent) of the total revenue from controlled toll projects. The drop was mainly due to the opening of the Binbao Expressway in December 2010 which changed the structure of regional traffic volume and led to a decrease of long-haul toll traffic volume.

Changzhu Expressway was consolidated to the Group in the second half of 2011. Full year revenue of RMB119.5 million was consolidated in the Reporting Year. It now ranked fifth in terms of toll revenue contribution, represented 8.0 percent of the total revenue from controlled toll projects. For comparison purpose, Changzhu Expressway's toll revenue in the Reporting Year represented a 26.6 percent higher than 2011.

Subsequent to the commencement of operation of its Airport North Extension in November 2011, Han-Xiao Expressway recorded an inspiring 30.6 percent growth in toll revenue which amounted to RMB102.2 million in the Reporting Year, represented approximately 6.9 percent of the total revenue from controlled toll projects (2011: 5.9 percent).

Due to slowdown in macro-economic growth and prohibition policy implemented on long-distance passenger vehicles from 2 a.m. to 5 a.m. since 21 September 2012 in Guangxi region, Cangyu Expressway recorded a slight decline of 1.8 percent to RMB100.0 million in the Reporting Year, represented 6.7 percent (2011: 7.7 percent) of the total revenue from controlled toll projects.

Cost of services

In the Reporting Year, cost of services of the Group's toll highways amounted to RMB502.0 million (2011: RMB435.5 million), represented an increase of RMB66.5 million or 15.3 percent over 2011. An analysis of the cost of services showed that the increase was mainly due to (1) cost of services from the newly acquired Weixu Expressway (consolidated in late May 2012) amounted to RMB36.3 million in the Reporting Year; (2) Increase of RMB27.3 million from full year consolidation of cost of services of Changzhu Expressway as compared to 2011 which only half year's cost of services amounted to RMB21.8 million was consolidated; and (3) increase in total cost of services of Han-Xiao Expressway mainly due to the commencement of operation of Airport North extension in November 2011.

Analysis of cost of services by each controlled toll project

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2011 RMB'000	Percentage of total %	Change %
GNSR Expressway	**221,935**	**44.3**	219,371	50.4	1.2
Xian Expressway	**70,492**	**14.0**	67,098	15.5	5.1
Jinbao Expressway	**59,697**	**11.9**	74,480	17.1	-19.8
Changzhu Expressway	**49,096**	**9.8**	21,774	5.0	N/A
Weixu Expressway	**36,335**	**7.2**	N/A	N/A	N/A
Han-Xiao Expressway	**34,563**	**6.9**	21,940	5.0	57.5
Cangyu Expressway	**28,822**	**5.8**	29,344	6.7	-1.8
	500,940		434,007		15.4
Others(1)	**1,055**	**0.2**	1,471	0.3	N/A
Total	**501,995**	**100.0**	435,478	100.0	15.3

(1) Included under-provision of Class 1 Highways in 2010, adjusted in the Reporting Year.

Gross profit

Gross profit of toll collection in the Reporting Year was increased by 10.9 percent to RMB983.2 million of which RMB70.4 million was contributed by Changzhu Expressway (full year consolidation in the Reporting Year) and RMB94.1 million from Weixu Expressway (consolidated in late May 2012). Gross profit margin in the Reporting Year was 66.2 percent being 0.9 percentage point lower than 2011.

Analysis of gross profit of toll collection by each controlled toll project

Controlled Toll Projects	Reporting Year Gross Profit RMB'000	Reporting Year Gross Margin	2011 Gross Profit RMB'000	2011 Gross Margin
GNSR Expressway	**450,293**	**67.0%**	503,863	69.7%
Xian Expressway	**170,126**	**70.7%**	160,466	70.5%
Jinbao Expressway	**60,468**	**50.3%**	63,360	46.0%
Cangyu Expressway	**71,213**	**71.2%**	72,496	71.2%
Han-Xiao Expressway	**67,672**	**66.2%**	56,367	72.0%
Changzhu Expressway	**70,437**	**58.9%**	31,438	59.1%
Weixu Expressway	**94,062**	**72.1%**	N/A	N/A
	984,271	**66.3%**	887,990	67.2%
Others(1)	**(1,055)**	**N/A**	(1,471)	N/A
Total	**983,216**	**66.2%**	886,519	67.1%

(1) Included under-provision of cost of services of Class 1 Highways in 2010, adjusted in the Reporting Year.

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB195.3 million (2011: RMB160.1 million), represented an increase of RMB35.2 million or 22.0 percent over 2011. Such increase was mainly attributed to (1) the newly acquired Weixu Expressway (consolidated in late May 2012) which has added RMB4.2 million to the total general and administrative expenses in the Reporting Year; (2) Increase of RMB6.5 million from full year consolidation of general and administrative expenses of Changzhu Expressway as compared to 2011 which only half year's general and administrative expenses amounted to RMB5.6 million was consolidated; and (3) increase in corporate expenses mainly due to increase in staff costs of approximately RMB13.7 million as a result of (a) additional manpower and increase in salary scale; and (b) adoption of new calculation basis of social security costs in accordance to relevant government policy.

Finance costs

The Group's finance costs in the Reporting Year amounted to RMB330.6 million (2011: RMB161.3 million), represented an increase of approximately 105.0 percent over 2011. The increase was mainly due to (1) the finance costs from project loans of the new acquisitions, i.e. Weixu Expressway (consolidated in late May 2012) amounted to RMB68.7 million and Changzhu Expressway, with increase of RMB67.6 million from full year consolidation as compared to 2011 with only half year's consolidation in the amount of RMB58.1 million; (2) additions of offshore loans being obtained to fund new acquisitions resulted to increase in finance cost of RMB25.5 million in the Reporting Year; and (3) increase in average interest rates of the existing onshore project loans as a result of the various macro-economic control measures imposed by the Central Government since 2011 affecting the best lending rates of financial institutions.

Share of results of associates and jointly controlled entity

The Group's share of post-tax profits less losses of associates has increased by 13.3 percent in the Reporting Year to RMB179.9 million while share of post-tax profit of jointly controlled entity dropped 58.9 percent to RMB7.1 million in the Reporting Year.

Share of post-tax profit of Humen Bridge in the Reporting Year amounted to RMB111.9 million, a 1.5 percent increase over 2011. Despite macro-economic slowdown causing decline in ratio of truck traffic, toll revenue at the project company level in the Reporting Year has maintained at a similar level as 2011, amounted to RMB1,044.8 million.

Share of post-tax profit of Northern Ring Road in the Reporting Year declined 6.2 percent to RMB60.0 million and toll revenue at the project company level declined by 3.7 percent to RMB604.2 million due to the macro-economic slowdown causing decline in ratio of truck traffic and also starting 1 June 2012, Guangdong Province has implemented the provincial unified toll collection policy on expressways.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year amounted to RMB32.4 million, represented a 3.7 percent rise as compared to 2011. With the adoption of Toll-by-Weight since 20 October 2011, toll revenue at project company level grew by 6.4 percent to RMB218.8 million.

In the Reporting Year, the share of loss of Qinglian Expressway narrowed down to RMB24.4 million, represented an improvement of 47.6 percent. Toll revenue at the project company level posted a growth of 14.0 percent to RMB537.2 million in the Reporting Year. Management believed that the opening of the Liannan section of Qinglian Expressway early in 2011 and Yilian Expressway in 25 Sept 2011 will further boost the toll revenue of Qinglian Expressway which is anticipated to become a more meaningful contributor to the Group's profitability.

Due to the macro-economic slowdown causing decline in ratio of truck traffic and also starting 1 June 2012, Guangdong Province has implemented the provincial unified toll collection policy on expressways, toll revenue of GWSR Expressway at the project company level dropped 3.0 percent to RMB261.1 million in the Reporting Year and share of its post-tax profit declined 58.9 percent to RMB7.1 million in the Reporting Year mainly due to increase in finance costs with average interest rate surged from 5.62 percent to 6.48 percent, drop in toll revenue as aforementioned and increase in toll repairs and maintenance expenses.

Analysis of share of results of associates and jointly controlled entity and respective revenue

	Profit Sharing ratio %	Revenue[1] Reporting Year RMB'000	Revenue[1] YoY change %	Share of results Reporting Year RMB'000	Share of results YoY change %
Associates					
Humen Bridge	18.446	**1,044,751**	0.0	**111,883**	1.5
Northern Ring Road	24.3	**604,216**	-3.7	**60,017**	-6.2
Shantou Bay Bridge	30.0	**218,824**	6.4	**32,420**	3.7
					loss decrease
Qinglian Expressway	23.63	**537,170**	14.0	**(24,437)**	47.6
Sub-total		**2,404,961**	2.4	**179,883**	13.3
Jointly controlled entity					
GWSR Expressway	35.0	**261,086**	-3.0	**7,109**	-58.9
Total		**2,666,047**	1.8	**186,992**	6.2

(1) Represented figures at the respective project companies' level.

Income tax expense

Total income tax expense of the Group in the Reporting Year amounted to RMB248.5 million, represented an increase of RMB114.3 million or 85.2 percent in the Reporting Year mainly due to increase in PRC corporate income tax expense and deferred tax assets reversal.

During the five year transition period provided by the New Corporate Income Tax Law ("CITL") of the PRC, income tax rate applicable to the Group's PRC subsidiaries and associates in the Reporting Year was increased from 24.0 percent to 25.0 percent in 2012 (being the last transition year). GNSR Expressway recorded an increase of RMB47.5 million in PRC corporate income tax expense in the Reporting Year which was mainly due to its tax rate increment from 12.0 percent in 2011 (being the last year of its tax concession period) to 25.0 percent in 2012 and onward. Xian Expressway has an adjustment of a prior year corporate tax recognised in the Reporting Year of RMB3.75 million. When the Group successfully confirmed with tax authorities that the four Class 1 Highways compensation arrangement was not subject to business tax, a reversal entry was made in the Reporting Year to the provision in 2010 and consequently, PRC income tax expense of RMB14.2 million was provided in the Reporting Year. A provision of RMB9.2 million PRC income tax expense was made for the interest income received in respect of compensation receivable.

In 2011, Cangyu Expressway recognized a deferred tax asset of RMB21.7 million and it continued to operate profitably in the Reporting Year as relevant tax loss had been utilised, RMB9.5 million of its deferred tax assets have been derecognised and was charged to the income tax expense. The newly acquired Weixu Expressway (consolidated in late May 2012) has reversed RMB5.9 million of deferred tax assets to the income tax expense in the Reporting Year.

There was increase of deferred tax in Changzhu Expressway of RMB11.9 million due to its full year consolidation in 2012 as compared to 2011 with only half year's deferred tax consolidated.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB426.9 million in the Reporting Year, represented a decline of 23.5 percent over 2011.

Analysis of the profit attributable to shareholders of the Company

	Reporting Year RMB'000	**Percentage of total %**	2011 RMB'000	Percentage of total %	Change %
Net profit from controlled toll projects	**307,210**	**62.2**	417,944	70.4	-26.5
Net profit from non-controlled toll projects[1]	**186,992**	**37.8**	176,095	29.6	6.2
Net profit from toll projects	**494,202**	**100.0**	594,039	100.0	-16.8
Withholding tax on PRC dividends	**(28,106)**		(40,787)		-31.1
Corporate income and expenses	**(70,644)**		(75,051)		-5.9
Corporate finance costs	**(35,455)**		(4,089)		767.0
Exchange gain transferred from reserve	—		89,689		N/A
Net impact from reversal of business tax provision of Class 1 Highways	**49,158**		—		N/A
Net impact of interest income on compensation receivable	**22,620**		—		N/A
Expenses subsequent to cessation of toll operation[2]	**(4,860)**		(5,589)		N/A
Profit attributable to shareholders of the Company	**426,915**		558,212		-23.5

(1) Representing share of results of associates and jointly controlled entity.

(2) All being from Class 1 Highways.

An analysis of the profit attributable to shareholders of the Company showed that amidst negative impacts from external macro factors, i.e. (1) weak macro-environment; (2) policy changes from the toll road sector's rectification campaign; and (3) interest rates hike, couple with the end of PRC tax concession period, net profit derived from toll projects amounted to RMB494.2 million in the Reporting Year which represented a 16.8 percent drop or RMB99.8 million over 2011. Of which, net profit from controlled toll projects accounted for 62.2 percent (2011: 70.4 percent) while net profit from non-controlled toll projects accounted for 37.8 percent (2011: 29.6 percent) in the Reporting Year.

Net profit from controlled toll projects amounted to RMB307.2 million in the Reporting Year represented a decrease of 26.5 percent over 2011. Net profit of GNSR Expressway dropped 25.6 percent mainly due to its toll revenue drop and adjustment of its corporate income tax rate from 12.0 percent in 2011 to 25.0 percent in 2012 and onwards as its tax concession expired in 2011. Xian Expressway recorded a 2.9 percent net profit decline mainly due to an adjustment of a prior year corporate tax recognised in the Reporting Year of RMB3.75 million and the expiration of its tax concession in 2011. The drop in net profit of Cangyu Expressway of 48.2 percent was mainly due to the derecognisation of its deferred tax asset (2011: recognition of deferred tax asset of RMB21.7 million) of RMB9.5 million to income tax expense due to utilisation of tax loss in the Reporting Year.

Analysis of net profit by each controlled toll project

Controlled Toll Projects	Reporting Year RMB'000	Percentage of total %	2011 RMB'000	Percentage of total %	Change %
GNSR Expressway	**183,420**	**37.1**	246,581	41.4	-25.6
Xian Expressway	**106,537**	**21.6**	109,716	18.5	-2.9
Jinbao Expressway	**34,969**	**7.1**	32,455	5.5	7.7
Cangyu Expressway	**33,527**	**6.8**	64,766	10.9	-48.2
Han-Xiao Expressway	**11,160**	**2.3**	24	—	465 times
Changzhu Expressway	**(78,566)**	**-15.9**	(35,598)[1]	-6.0	N/A
Weixu Expressway	**16,163**[2]	**3.2**	N/A	N/A	N/A
Total	**307,210**	**62.2**	417,944	70.3	-26.5

(1) Acquisition of Changzhu Expressway was completed on 27 June 2011 and only six months' operating results were consolidated to the Group in 2011.

(2) Acquisition of Weixu Expressway was completed on 28 May 2012 and only seven months' operating results were consolidated to the Group in the Reporting Year.

Net profit from non-controlled toll projects (an analysis was shown in the aforementioned table "analysis of share of results of associates and jointly controlled entity and respective revenue") amounted to RMB187.0 million which was 6.2 percent higher than 2011. Among the non-controlled toll projects, profits attributable to the shareholders of the Company from Humen Bridge, Northern Ring Road, Shantou Bay Bridge and GWSR Expressway accounted for 22.6 percent (2011: 18.6 percent), 12.1 percent (2011: 10.8 percent), 6.6 percent (2011: 5.3 percent) and 1.4 percent (2011: 2.9 percent) respectively. The share of loss from Qinglian Expressway has improved by 47.6 percent to RMB24.4 million.

The Group's finance costs has increased by 105.0 percent in the Reporting Year, in which corporate finance costs increased by RMB31.4 million to RMB35.5 million mainly due to new offshore bank borrowings of approximately RMB943.6 million (equivalent to HK$1,163.0 million) obtained in the Reporting Year.

The net impact (i.e. after additional profit tax impact and share by minority interests) of the reversal of business tax provision in respect of compensation receivable of Class 1 Highways was RMB49.2 million and the net impact of the interest income on compensation receivable was RMB22.6 million.

Final dividend

The Directors have recommended the payment of final dividend for 2012 of HK$0.11 which is equivalent to approximately RMB0.0889706 (2011: HK$0.14 which was equivalent to approximately RMB0.1139866) per share payable to shareholders whose names appear on the register of members of the Company at the close of business on 3 June 2013. Subject to the approval of shareholders at the Annual General Meeting to be held on 29 May 2013, the final dividend will be paid on or about 26 June 2013. Together with the interim dividend of HK$0.09 which was equivalent to approximately RMB0.0735952 (2011: HK$0.10 which was equivalent to approximately RMB0.0825196) per share, total dividends for the year ended 31 December 2012 will amount to HK$0.20 which is equivalent to approximately RMB0.1625658 (2011: HK$0.24 which was equivalent to approximately RMB0.1965062) per share, representing a dividend payout ratio of 63.7 percent (2011: 58.9 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars ("HK$"). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK$ to RMB, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividends.

III. Analysis of financial position

Key financial position figures	Reporting Year RMB'000	2011 RMB'000	Change %
Total assets	**18,710,701**	16,147,403	15.9
Total liabilities	**8,626,339**	6,187,997	39.4
Cash and cash equivalents	**1,057,124**	1,298,476	-18.6
Total borrowings	**6,427,483**	4,363,850	47.3
Bank borrowings	**6,252,414**	4,028,118	55.2
Current ratio	**1.4 times**	1.7 times	
Interest coverage	**4.1 times**	8.0 times	
Equity attributable to the shareholders of the Company	**8,094,466**	7,933,853	2.0

Assets, Liabilities and Equity

As at 31 December 2012, the Group's total assets amounted to RMB18.7 billion which represented an increase of 15.9 percent over the balance as at 31 December 2011. The Group's total assets comprised mainly of intangible operating rights of RMB13.6 billion (31 December 2011: RMB10.9 billion); investments in jointly controlled entity and associates of RMB1.95 billion (31 December 2011: RMB1.96 billion); compensation receivable of RMB587.6 million (31 December 2011: RMB701.6 million) being the balance for closure of the four Class 1 Highways (before 30 September 2012, the Group and GZ Government have entered into a supplemental agreement, where GZ Government agreed to repay the remaining balance on or before 30 September 2013 along with the interests (based on bank's benchmark lending rate) during the period between 1 October 2012 and date of payment); and cash and cash equivalents of RMB1.1 billion (31 December 2011: RMB1.3 billion). At end of May 2012, Weixu Expressway was consolidated into the Group and intangible operating rights were increased by RMB2.9 billion. The asset classified as held for sale (2011: classified as available-for-sale financial asset) of RMB201.5 million is related to the Group's 4.04 percent interest in Guangzhou Securities Co., Ltd., which the Directors of the Company have approved to sell in November 2012 (for details of the disposal, please refer to the Company's announcement dated 7 November 2012) and the transaction is conditional and is subjected to approval by the government authorities as at Reporting Date.

As at 31 December 2012, the Group's total liabilities amounted to RMB8.6 billion which represented an increase of 39.4 percent over the balance as at 31 December 2011. The Group's total liabilities comprised mainly of bank borrowings of RMB6.25 billion (31 December 2011: RMB4.03 billion); loans from non-controlling interests of RMB158.2 million (31 December 2011: RMB293.1 million); other loan of RMB16.9 million (31 December 2011: RMB42.7 million) being short-term borrowing from an external party (31 December 2011: two); deferred income tax liabilities of RMB1.53 billion (31 December 2011: RMB1.17 billion); and balance of cash purchase consideration of Weixu Expressway and Changzhu Expressway amounted to RMB84.3 million and RMB106.2 million respectively. As a result of consolidating Weixu Expressway into the Group at end of May 2012, increase in total liabilities included RMB1.66 billion in total borrowings and RMB309.4 million in deferred income tax liabilities. Movement in deferred income tax liabilities during the Reporting Year included payments made in respect of PRC distributable dividend tax of RMB34.7 million.

As at 31 December 2012, the Group's total equity amounted to RMB10.08 billion (31 December 2011: RMB9.96 billion), of which amount attributable to the shareholders of the Company amounted to RMB8.1 billion, an increase of RMB160.6 million over the balance as at 31 December 2011.

Analysis of major assets, liabilities and equity items

Items	Reporting Year RMB'000	2011 RMB'000	Change %
Total assets	**18,710,701**	16,147,403	15.9
Approximately 90.0% of which:			
Intangible operating rights	**13,612,830**	10,904,496	24.8
Investments in jointly controlled entity and associates	**1,945,143**	1,964,227	-1.0
Compensation receivable	**587,583**	701,615	-16.3
Cash and cash equivalents	**1,057,124**	1,298,476	-18.6
Total liabilities	**8,626,339**	6,187,997	39.4
Approximately 90.0% of which:			
Bank borrowings – current portion	**560,778**	379,830	47.6
– long term portion	**5,691,636**	3,648,288	56.0
Other loans	**16,880**	42,680	-60.4
Loans from non-controlling interests	**158,189**	293,052	-46.0
Deferred income tax liabilities	**1,529,145**	1,173,720	30.3
Total equity	**10,084,362**	9,959,406	1.3
Of which:			
Attributable to the shareholders of the Company	**8,094,466**	7,933,853	2.0

Cash flows

It has been the primary objective of the Group to focus on preventing risk and managing liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents as at 31 December 2012 amounted to approximately RMB1.1 billion which was 18.6 percent lower than the level at 31 December 2011. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amount applied to securities investment.

Analysis of cash flow movement

	Reporting Year RMB'000	2011 RMB'000
Net cash generated from operating activities	**766,498**	921,726
Net cash used in investing activities	**(840,267)**	(1,721,416)
Net cash used in financing activities	**(168,115)**	(12,313)
Net decrease in cash and cash equivalents	**(241,884)**	(812,003)
Cash and cash equivalents at 1 January	**1,298,476**	2,111,929
Effect of foreign exchange rate changes	**532**	(1,450)
Cash and cash equivalents at 31 December	**1,057,124**	1,298,476

Net cash generated from operating activities during the Reporting Year amounted to RMB766.5 million (2011: RMB921.7 million) which was arrived from cash generated from operations of RMB966.4 million (2011: RMB1,077.9 million) less enterprise income tax paid of RMB199.9 million (2011: RMB156.2 million).

Net cash used in investing activities during the Reporting Year amounted to RMB840.3 million (2011: RMB1.72 billion). On the outflow side, mainly were capital expenditures amounted to approximately RMB1.16 billion (2011: RMB2.46 billion). On the inflow side, mainly consisted of investment returns from associates of RMB258.8 million (2011: RMB306.0 million); interest income received in respect of the compensation receivable of RMB39.2 million and bank interest income amounted to approximately RMB21.0 million (2011: RMB24.0 million).

Net cash used in financing activities during the Reporting Year amounted to RMB168.1 million (2011: RMB12.3 million). The inflow side mainly included new bank borrowings amounted to approximately RMB988.2 million (2011: RMB634.4 million); proceeds of loans from associate and jointly controlled entity of RMB14.0 million (2011: RMB17.5 million) and capital contribution from non-controlling interest of RMB8.1 million (2011: RMB83.8 million). The outflow side mainly included repayment of bank borrowings amounting to RMB411.4 million (2011: RMB177.5 million); payment of interest of RMB341.3 million (2011: RMB164.2 million); repayment of loans from non-controlling interest of subsidiaries of RMB43.4 million; repayment of other loans of RMB25.8 million; dividends paid to non-controlling interest of RMB42.6 million (2011: RMB173.3 million); and dividends paid to the shareholders of the Company of RMB313.9 million (2011: RMB307.5 million).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2012 was 1.4 times (31 December 2011: 1.7 times). Apart from cash and cash equivalents which were the major components of the Group's current assets as at 31 December 2012, a receivable of RMB587.6 million being the consideration receivable balance in relation to the compensation arrangement of the closure of toll stations of the Class 1 Highways was recorded. Included in the Group's current liabilities as at 31 December 2012 was short term borrowings (i.e. maturity within one year) of approximately RMB615.4 million (31 December 2011: RMB598.2 million). In view of the various capital expenditures committed and investments acquired since the second half of 2010 which had utilised a significant portion of the Group's cash and cash equivalents and increased the Group's bank borrowings in the Reporting Year, management will take a prudent approach to effectively match the existing cash and cash equivalents and future operating cash flow and cash return from investments with capital and debt commitments to minimize liquidity risk.

Interest coverage

The interest coverage is measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (with cash flow effect). With the increase in finance costs, interest coverage for the year ended 31 December 2012 was 4.1 times (31 December 2011: 8.0 times).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB1.16 billion of which expenditures related to investment funds included payments of cash considerations to acquisition of subsidiaries in aggregate of approximately RMB964.9 million and additional capital injection to an associate of RMB52.7 million. Capital expenditures related to intangible operating rights and fixed assets included payments of construction costs of toll highways and bridges upgrade services of RMB64.8 million and purchase of property, plant and equipment of RMB77.6 million. Apart from the aforementioned, no material capital expenditures were paid during the Reporting Year. Going forward, management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

It is also one of the Group's financial policies to maintain a rational capital structure which aims to enhance profitability on one hand while ensuring financial leverage ratios to remain at safe levels on the other hand.

Analysis of capital structures

	Reporting Year RMB'000	2011 RMB'000
Bank borrowings	**6,252,414**	4,028,118
Other loan	**16,880**	42,680
Loans from non-controlling interests	**158,189**	293,052
Amounts due to non-controlling interests of subsidiaries	**43,070**	58,668
Amount due to a jointly controlled entity	**31,500**	17,500
Total debts	**6,502,053**	4,440,018
Less: cash and cash equivalents	**(1,057,124)**	(1,298,476)
Net debts	**5,444,929**	3,141,542
Total Equity	**10,084,362**	9,959,406
Of which: Equity attributable to the shareholders of the Company	**8,094,466**	7,933,853
Total capitalization (Net debts + Equity attributable to the shareholders of the Company)	**13,539,395**	11,075,395
Financial ratios		
Gearing ratio (net debts/total capitalization)	**40.2%**	28.4%
Debt to Equity ratio (net debts/total equity)	**54.0%**	31.5%
Total liabilities/Total assets ratio	**46.1%**	38.3%

Financing structures

In a way to ensure the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively control the increase of finance costs, the Group will continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by and to take advantage of the cost differentials of these two markets. As at the end of the Reporting Year, the Group's borrowings comprised of bank borrowings, other loans and loans from non-controlling interests.

Bank borrowings of the Group as at 31 December 2012 amounted to approximately RMB6.25 billion (31 December 2011: RMB4.03 billion). All the bank borrowings are at floating rates. The effective interest rate of these bank borrowings at 31 December 2012 was 6.01 percent (31 December 2011: 6.28 percent).

Analysis of bank borrowings

	Reporting Year Percentage of total	2011 Percentage of total
Source		
Onshore	**81.0%**	93.7%
Offshore	**19.0%**	6.3%
	100.0%	100.0%
Repayment term		
Within 1 year	**9.0%**	9.4%
1 to 2 year	**16.1%**	8.5%
More than 2 years and less than 5 years	**35.2%**	30.8%
Above 5 years	**39.7%**	51.3%
	100.0%	100.0%
Currency		
RMB	**81.0%**	93.7%
HKD	**15.0%**	0.0%
USD	**4.0%**	6.3%
	100.0%	100.0%
Terms of credit		
Secured	**70.9%**	75.9%
Unsecured	**29.1%**	24.1%
	100.0%	100.0%

Other loan was short term borrowing from an external party (31 December 2011: two parties). As at 31 December 2012, this other loan amounted to RMB16.9 million (31 December 2011: RMB42.7 million) which is unsecured (at 31 December 2011, RMB25.8 million of the other loans is secured by intangible operating rights of the Group.). This borrowing is bearing interest at a rate of 6.55 percent per annum during the Reporting Year.

Loans from non-controlling interests are unsecured and denominated in RMB. Except for RMB37.8 million which were interest bearing at rates ranging from 6.0 to 6.6 percent per annum and repayable within one year, the rests were interest free and the carrying amounts of these loans were stated at fair values.

Amounts due to non-controlling interests of subsidiaries/holding companies are unsecured, interest free, repayable on demand and are mainly denominated in RMB.

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating payments, expenses and capital expenditures are denominated in RMB. As at the end of the Reporting Year, the Group has cash and cash equivalent of approximately RMB42.8 million and RMB0.025 million denominated in HK$ and US$ respectively; and approximately RMB937.5 million and RMB251.6 million offshore bank borrowings denominated in HK$ and US$ respectively. The Group will closely review and assess its currency risk and will adopt appropriate currency hedge measures when appropriate. Meanwhile, the Group has taken advantage of the further relaxation measures in the RMB business in Hong Kong with dividends from PRC joint ventures can now be remitted to Hong Kong either in HK$ or Renminbi.

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2012, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB138.6 million being contracted but not provided for and approximately RMB98.6 million being authorized but not contracted for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2012. There were no significant contingent liabilities as at 31 December 2012.

V. EMPLOYEES

As at 31 December 2012, the Group had approximately 1,754 employees of whom about 1,490 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

VI. CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

In accordance with requirements under Rule 13.21 of the Listing Rules, the directors of the Company reported below details of loan facilities, which existed at any time during the year ended 31 December 2012 and included conditions relating to specific performance of the controlling shareholder of the Company.

(a) On 1 November 2011, the Company, as borrower, entered into a facility letter with a bank. The facility letter is for an unsecured 3-year term loan facility of up to US$40 million from the date of the acceptance of the facility.

(b) On 30 March 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 60-month term loan facility of up to HK$863 million from the first utilisation date, i.e.18 May 2012.

(c) On 27 April 2012, the Company, as borrower, entered into a facility agreement with a bank. The facility agreement is for an unsecured 24-month term loan facility of up to HK$300 million from the drawdown date, i.e. 28 April 2012.

Pursuant to the aforesaid facility letter or agreements, it shall be an event of default if Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), a controlling shareholder of the Company, ceases to be the single largest shareholder of the Company with ownership of not less than 35% or maintain effective management control over the board of directors of the Company, or Guangzhou Municipal People's Government ceases to maintain, directly or indirectly, majority beneficial ownership and control of Yue Xiu without the prior written consent of the banks.

These obligations have been duly complied with for the year ended 31 December 2012.

INVESTOR RELATIONS REPORT

Since the establishment of the Investor Relations Department in November 2009, the Group has actively developed continuous and focused investor relations through establishing and continuously improving the platform for the Group to exchange information with capital markets and financial media, the Group continued to improve its transparency in an effort to receive an objective and reasonable assessment for its intrinsic value and gain external recognition.

INVESTOR RELATIONS ACTIVITIES

During the Reporting Year, the Group has been actively engaged in various types of investor relations activities. For example, the Group has participated the post results NDR respectively in Hong Kong, Singapore, Japan and major cities in mainland China(such as Beijing, Shanghai and Shenzhen) and major conferences organized by investment banks. Through persistent efforts, shareholders and investors obtain in-depth knowledge of the Company, agree to the Company's development and continuously pay attention to its development status.

COVERAGE REPORTS

In 2012, the Group successfully obtained initial coverage reports from renowned international and domestic investment banks like Citibank, HSBC and CITIC Securities. As at 31 December 2012, a total of 16 investment banks have issued coverage reports on the Group. During the Reporting Year, the number of research reports increased from 18 in 2011 to 38, all of which have maintained "Buy" or "Hold" ratings for the Group, implying that analysts retained their positive outlooks of the Group.

After obtaining coverage by the influential renowned international and domestic investment banks mentioned above, the Group has become more well-known in stock market. Moreover, most of the Group's shareholders are long-term value investors from Europe, U.S.A. and Singapore, etc. For instance, Matthews International Capital in San Francisco, U.S., continually increased its shareholding in the Group during the year to 10%, which further indicated that the Group's development strategies, business performance and corporate governance have been further acknowledged by the market.

PUBLIC MEDIA RELATIONS

Through various events, the Group has consolidated and developed good relationship with Hong Kong mainstream and internet financial media. During the reporting period, the Group has obtained much more media coverage than before, and has received three awards for listed companies from Hong Kong mainstream financial media as follows:

- "The 7th Outstanding China Enterprise Awards" by Capital Weekly
- "The Excellence of Listed Enterprise Awards" by Capital Weekly
- "Hong Kong Outstanding Enterprise" by Economic Digest

In particular, the Group has received both "The Excellence of Listed Enterprise Awards" and "Hong Kong Outstanding Enterprise Award" for three consecutive years, which indicates the wide recognition by the market in recent years.

During our communication with investors, they have provided us with their valuable suggestions and opinions which are beneficial to the development of the Group and we would like to hereby express our sincere gratitude to shareholders and investors for their active feedbacks and constructive opinions, which form a solid foundation for the Group to formulate development strategies in line with shareholders' interest and capable of delivering more fruitful rewards to our shareholders.

PARTICIPATION OF INVESTOR RELATIONS ACTIVITIES IN 2012

March	Hong Kong	NDR organized by J.P Morgan
	Beijing	NDR organized by HSBC
	Shanghai	NDR organized by HSBC
	Singapore	NDR organized by DBS Vickers
April	Japan	NDR organized by Daiwa Capital
	Hong Kong	Conference organized by J.P Morgan
May	Hong Kong	Conference organized by Bank of America Merrill Lynch
	Guangzhou	Project visits by fund managers and analysts
July	Hong Kong	Conference organized by CITI Group
August	Hong Kong	NDR organized by Bank of America Merrill Lynch
	Beijing	NDR organized by HSBC
	Shanghai	NDR organized by HSBC
	Singapore	NDR organized by CITI Group
September	Hong Kong	Conference organized by Bank of America Merrill Lynch
November	Beijing	Conference organized by Bank of America Merrill Lynch
	Macau	Conference organized by CITI Group
	Hunan	Project visits by Hong Kong's stock analysts
December	Hong Kong	Conference organized by J.P Morgan
	Singapore	Conference organized by J.P Morgan
	Taiwan	NDR organized by CICC

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Zhang Zhaoxing, aged 49, was appointed executive director and Chairman of the Company on 31 July 2008. He is also a vice chairman and general manager of Guangzhou Yue Xiu Holdings Limited ("GZ Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), and a vice chairman and general manager of Yuexiu Property Company Limited (Stock Code: 123), a company listed on The Stock Exchange of Hong Kong Limited ("Stock Exchange"). Mr Zhang holds an Executive Master of Business Administration degree awarded by Huazhong University of Science and Technology, and possesses the qualification of senior accountant in China. He has extensive experience in the financial management, industrial operation, capital operation and corporate culture development of large enterprises. Before taking up his post of Chairman of the Company, Mr Zhang was the director and general manager of Guangzhou Radio Group Co., Ltd., chairman and general manager of Haihua Electronics Enterprise (China) Corporation, chairman of Guangzhou Guangdian Real Estate Development Co., Ltd. and a director of GRG Banking Equipment Co., Ltd., a company listed on The Shenzhen Stock Exchange. Mr Zhang is a deputy of the 12th National People's Congress of The People's Republic of China and he is the only deputy from Guangzhou SOE.

Mr Liang Youpan, aged 57, was appointed executive director and a Deputy Chairman of the Company on 13 June 2011. He is also a deputy general manager of GZ Yue Xiu and Yue Xiu. Mr Liang graduated in 1986 from Guangzhou Economics Management Cadre's Institute in China with a diploma in corporate governance. Prior to joining Yue Xiu in 1998, Mr Liang was the Workshop director of Guangzhou Wen Chong Shipyard Company Limited, which is a subsidiary of China State Shipbuilding Company. Between 1991 and 1998, Mr Liang was a unit head in the administrative supervisory division of the People's Government of Guangzhou Municipality. Mr Liang has a wide range of experience in PRC corporate governance practices, particularly in the area of internal controls.

Mr Li Xinmin, aged 61, was appointed executive director of the Company on 19 June 2001. He is also a Deputy Chairman of the Company. Mr Li has over 30 years of experience in highway construction and management. He had held positions including department head of the maintenance engineering division of transport authority in China and was the general manager of the GNSR Expressway Co. From March 2004 to April 2005 and from November 2009 to December 2012, Mr Li had been the general manager of the Company.

Mr Liang Ningguang, aged 59, was appointed executive director of the Company on 25 September 1996. He is also a director and a vice chairman of GZ Yue Xiu and Yue Xiu. Mr Liang graduated from the Central Television University in China majoring in finance and obtained a Master Degree in business administration from the Murdoch University in Australia. He is also a member of the Chinese Institute of Certified Public Accountants and a senior accountant in China. He is the Chairman, an executive director and also a responsible officer of Yuexiu REIT Asset Management Limited, a company licensed by The Securities and Futures Commission to conduct the regulated activity of asset management and the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405), a collective investment scheme listed on the Stock Exchange. Mr Liang is a responsible officer licensed under the Securities and Futures Ordinance of Hong Kong to carry on regulated activities types 1, 4 and 9. He was previously a deputy director of the Guangzhou Municipal Taxation Bureau and had over 20 years of experience in finance and management prior to joining Yue Xiu in 1989.

Mr Wang Shuhui, aged 41, was appointed executive director of the Company on 3 November 2009. He is currently a deputy general manager and the general manager of strategic development department of GZ Yue Xiu and Yue Xiu, and is mainly responsible for the formulation and dynamic management of the group's development strategy and the feasibility study of major investment projects. Mr Wang graduated from the School of Finance of the Southwestern University of Finance and Economics and holds a master degree in monetary economics and banking and an economist qualification from Jinan University. Before he joined Yue Xiu in May 2006, Mr Wang had over 13 years of experience in Guangzhou Securities Co., Ltd. and had held senior management positions (including the project manager of the securities issuance consultancy department, manager of the research and development department, director of the office of the CEO, general manager of the human resource department and the assistant to the CEO, board secretary, vice president) in such company. Mr Wang has solid knowledge and extensive professional experiences in financial industry and is familiar with the practice in the financial markets of Mainland China and the practice of listed company business operation. After joining Yue Xiu, he had been an assistant to general manager of GZ Yue Xiu and Yue Xiu.

Mr Qian Shangning, aged 50, was appointed executive director on 12 April 2007. Mr Qian graduated from Chongqing Transport Institute in Highway and Urban Transportation, and later from Sun Yat-Sen University in Guangzhou in Legal Studies. Mr Qian also holds an Executive Master of Business Administration degree awarded by South China University of Technology. Between 1998 to 2001, Mr Qian had been a senior management member of GNSR Expressway Co. Mr Qian has 30 years of experience in highway construction and is a senior engineer in China.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fung Ka Pun, aged 67, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, the shares of which are listed on the Stock Exchange (Stock Code: 68). He is also deputy chairman and an independent non-executive director of Samling Global Limited, which shares were delisted from the Stock Exchange on 20 June 2012, and he was a non-executive director of China SCE Property Holdings Limited until his resignation on 6 January 2013.

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 65, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries and is currently a Standing Committee Member of the National Committee of the Chinese People's Political Consultative Conference. Mr Lau is currently an independent non-executive director of Franshion Properties (China) Limited (Stock Code: 817), Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property Company Limited (Stock Code: 123), The Hong Kong Parkview Group Limited (Stock Code: 207), Wing Hang Bank, Limited (Stock Code: 302), Brightoil Petroleum (Holdings) Limited (Stock Code: 933), and The People's Insurance Company (Group) of China Limited (effective 19 October 2012) (Stock Code: 1339). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a Director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Chu & Lau Nominees Limited, Sun Hon Investment And Finance Limited, Wydoff Limited and Wytex Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council).

Mr Cheung Doi Shu, aged 51, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his bachelor's and master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors.

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code (applicable to financial reports covering the period after 1 April 2012) ("Revised CG Code") and the former Code on Corporate Governance Practices (effective until 31 March 2012) ("CG Code") contained in Appendix 14 of the Rules Governing the Listing of Securities ("Listing Rules") on The Stock Exchange of Hong Kong Limited ("Stock Exchange").

The Company has complied with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term, details of which will be explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code and the Revised CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance and transparency and accountability of Company operations.

The key corporate governance principles and practices of the Company are summarised below.

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company. The Board focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring that Board procedures and all applicable rules and regulations are followed.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercising of independent judgment. The Board comprises six executive directors and three independent non-executive directors. For a list of directors during the year ended 31 December 2012 and their respective profiles, please refer to the Directors' Profiles and page 69 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

None of the members of the Board is related to one another.

During the year ended 31 December 2012, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, in accordance with the Company's Bye-Laws, all directors of the Company, including non-executive directors, are subject to retirement by rotation at least once every three years. All the non-executive directors of the Company had retired by rotation during the past three years, offered themselves for re-election, and had been re-elected.

Shareholders may propose a candidate for election as Director in accordance with the Bye-Laws of the Company. The procedure for such proposal are available on the websites of the Company and the Stock Exchange.

Training for Directors

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, companies ordinance/act and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

During the year, the Company had arranged tailor-made training programmes conducted by reputable international legal and audit firms and other professional bodies for the Directors with an emphasis on the Revised CG Code, the new statutory disclosure obligations on insider information as well as the roles, functions and duties of a director of a listed company. According to the records maintained by the Company, the Directors received trainings in the following areas:

	Corporate Governance/ Updates on Laws, Rules & Regulations	
Directors	**Read Materials**	**Attended Seminars/ Briefings**
Executive Directors		
Zhang Zhaoxing	✓	✓
Liang Youpan	✓	✓
Li Xinmin	✓	✓
Liang Ningguang	✓	✓
Wang Shuhui	✓	✓
Qian Shangning	✓	✓
Independent Non-Executive Directors		
Fung Ka Pun	✓	✓
Lau Hon Chuen Ambrose	✓	✓
Cheung Doi Shu	✓	✓

Board Meetings

Number of Meetings and Directors' Attendance

In year 2012, the Board held 9 meetings (including circulation of written resolutions). The attendance record of each member of the Board is set out below :

Directors	Attendance/ Number of Board meetings	Written Resolutions	Annual General Meeting
Executive Directors			
Zhang Zhaoxing	4/4	5/5	✓
Liang Youpan	4/4	5/5	✓
Li Xinmin	4/4	5/5	✓
Liang Ningguang	3/4	5/5	—
Wang Shuhui	3/4	5/5	—
Qian Shangning	4/4	5/5	✓
Independent Non-Executive directors			
Fung Ka Pun	4/4	5/5	✓
Lau Hon Chuen Ambrose	4/4	4/5	✓
Cheung Doi Shu	2/4	5/5	✓

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-Laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged directors and officer liability insurances for its directors and officers.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Zhang Zhaoxing while the position of General Manager was held by Mr Li Xinmin up to 31 December 2012.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

With effect from 1 January 2013, Mr He Baiqing has been appointed General Manager of the Company to succeed Mr Li Xinmin. Mr He has been a deputy general manager of the Company since 2009 and was appointed senior deputy general manager in 2011. Mr He graduated from Changsha Transport Institute in China with a bachelor's degree majoring in Highway and City Roads. Mr. He had held position of the head of Guangzhou Highway Prospecting and Design Institute. He is a senior engineer of Highway and Bridge, and a registered civil engineer in China. Mr He was in charge of the thirty-year plan of Guangzhou highway network between 1997 and 1998. He has participated in surveying and designing of Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway and has extensive experience in the industry. From April 2005 to April 2007, he was a director of the Company.

BOARD COMMITTEES

The Board has established three committees, namely, the Remuneration Committee, the Audit Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of these committees are available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Lau Hon Chuen Ambrose is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

(a) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.

(b) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.

(c) To review the adequacy and effectiveness of the Company's financial reporting system, internal control system and risk management system and associated procedures.

The Audit Committee held two meetings during the year ended 31 December 2012 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditor. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Directors	Meetings Attended
Independent Non-Executive Directors	
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Remuneration Committee

The Remuneration Committee comprises three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu and Mr Lau Hon Chuen Ambrose is the chairman of the committee.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure and remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Directors	Meeting Attended
Independent Non-Executive Directors	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Remuneration Committee met once with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

Nomination Committee

The Board established the Nomination Committee on 1 March 2012. The Nomination Committee comprises two executive directors, namely Mr Zhang Zhaoxing and Mr Liang Youpan, and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu. The committee is chaired by Mr Zhang Zhaoxing, the Chairman of the Board.

The role and function of Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship and the appointment or re-appointment of Directors and succession planning for Directors.

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Directors	Meeting Attended
Executive Directors	
Zhang Zhaoxing	1/1
Liang Youpan	1/1
Independent Non-Executive Directors	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Nomination Committee met once with 100% attendance to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2012.

Specific employees who are likely to be in possession of unpublished price sensitive information of the Group have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is also the company secretary of Yuexiu Property Company Limited (Stock Code: 123) and Yue Xiu REIT Asset Management Limited, the asset manager of Yuexiu Real Estate Investment Trust (Stock Code: 405). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2012, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in Respect of the Financial Statements and Auditor's Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2012.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report".

During the year ended 31 December 2012, the remuneration paid or payable to PricewaterhouseCoopers, the external auditor of the Company in respect of audit related services amounted to approximately RMB2,110,000 and non-audit services fees amounted to RMB107,000 have been incurred.

INTERNAL CONTROLS

The Board is responsible for the establishment of the internal control system of the Company and for review, through its audit committee, of the effectiveness of the system.

The internal control system of the Company is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage risks and to safeguard the assets of the Company against loss or fraud. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

The Company's internal control system is operated through segregation of duties (e.g. between toll collecting staff and supervision staff), staff management, budget management, toll collection audit, financial accounting system controls, repairs and maintenance project management and so forth. Apart from periodic review by senior management including financial controllers designated by the Company to each major operation, internal audit department of the Company or audit groups of each major toll road operation were responsible for inspecting and assessing the performance of such operation. In financial accounting system control, the Company has adopted relevant procedures including strict compliance with approval procedures, proper safekeeping of fixed assets, verification and maintenance of accounting records, so as to ensure financial information, whether applied in operation or for public disclosure purposes, are reliable.

The Board has reviewed the internal control system of the Company and considered it to be effective and did not note any material deviation during the Reporting Year.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the shareholders' meetings. Separate resolutions are proposed at shareholders' meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

To promote effective communication, the Company also maintains a website at www.yuexiutransportinfrastructure.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the Company's Bye-Laws, shareholder(s) holding at the date of the deposit of requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may, in accordance with the requirements and procedures set out in the Companies Act of Bermuda, require the directors of the Company to convene a special general meeting. The requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more shareholders concerned. If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a general meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. Shareholders representing not less than one-twentieth of the total voting rights or not less than 100 shareholders, may put forward resolutions for consideration at a general meeting of the Company by depositing at the registered office a written request for such resolutions according to the Companies Act of Bermuda.

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2012, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 77.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2012:

	RMB'000
Interim dividend of HK$0.09 equivalent to approximately RMB0.0735952 per share paid on 8 November 2012	123,137
Proposed final dividend of HK$0.11 equivalent to approximately RMB0.0889706 per share	148,862
	271,999

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 23 May 2013 to Wednesday, 29 May 2013, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 29 May 2013, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong Branch Share Registrar, Tricor Abacus Limited at 26/F, Tesbury Centre, 28 Queen's Road East, Hong Kong, not later than 4:30 p.m. on Wednesday, 22 May 2013.

RESERVES

Movements in the reserves of the Group and the Company during the year are set out in note 27 to the consolidated financial statements.

DONATIONS

During the year, the Group made a charitable donation of RMB453,800 to a charitable organisation for charitable purpose.

PROPERTY, PLANT AND EQUIPMENT

Details of the movements in property, plant and equipment of the Group and the Company are set out in note 16 to the consolidated financial statements.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 26 to the consolidated financial statements.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2012 are set out in note 37 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2012, the distributable reserves of the Company available for distribution amounted to RMB2,305,116,000 (2011: RMB2,014,235,000).

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors
Mr Zhang Zhaoxing
Mr Liang Youpan
Mr Li Xinmin
Mr Liang Ningguang
Mr. Wang Shuhui
Mr Qian Shangning

Independent Non-executive directors
Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

The Directors' Profiles are set out on pages 56 to 57.

ROTATION AND RE-ELECTION OF DIRECTORS

Messrs Qian Shangning, Fung Ka Pun and Lau Hon Chuen Ambrose retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS' FEES

Each of the three independent non-executive directors of the Company received RMB180,000 as Director's fees for the year ended 31 December 2012.

DIRECTORS' INTEREST IN CONTRACTS

No contracts of significance in relation to the Group's business to which the Company, its subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS

On 27 February 2012, the Company announced that various wholly-owned subsidiaries of the Company have entered into property leasing agreements with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("YX IFC"), which is a connected person of the Company by virtue of its being an indirect associate of Guangzhou Yue Xiu Holdings Limited, ultimate holding company of the Company, in respect of the lease of various properties located in The Guangzhou International Financial Centre, Guangzhou, PRC. YX IFC ceased to be an indirect associate of ultimate holding company, and thus, a connected person of the Company on 8 October 2012. During the period from 1 January 2012 to 8 October 2012, approximately RMB5,847,000 has been paid by the Group to YX IFC pursuant to the aforesaid property leasing agreements. This transaction had also been disclosed as related party transaction in note 36(b)(iv) to the consolidated financial statements.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.38 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board of Directors of the Company; (ii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iii) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

On 7 November 2012, the Company announced that 廣州越鵬信息有限公司 (Guangzhou Yue Peng Information Limited) ("Yue Peng"), an indirect wholly-owned subsidiary of the Company, and 廣州越秀金融投資集團有限公司 (Guangzhou Yuexiu Finance Holdings Limited) ("Purchaser"), an indirect wholly-owned subsidiary of ultimate holding company have entered into an agreement under which Yue Peng has agreed to sell, and the Purchaser has agreed to purchase, 4.04% of the equity interest in 廣州證券有限責任公司 (Guangzhou Securities Co. Ltd.) for the consideration of RMB201,543,200. The above transaction was subject to the reporting and announcement requirements but exempt from the independent shareholders approval requirements under the Listing Rules.

Other related party transactions disclosed in note 36(b)(i) and (iii) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as an "exempted transaction" and a "de minimis transaction", respectively, pursuant to the Listing Rules.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2012 is set out in note 28 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2012, the interests and short positions of the Directors of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance ("SFO")), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

Long positions in shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Liang Ningguang	Personal	34,950	0.002
Mr Li Xinmin	Personal	200,000	0.012
Mr Qian Shangning	Personal	250,000	0.015
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012

Save as disclosed herein, as at 31 December 2012, none of the Directors of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2012, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Name	Note	Long position in shares	Approximate % of interest
廣州越秀集團有限公司(Guangzhou Yue Xiu Holdings Limited)	(a)	1,014,796,050	60.65
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	(a)	1,014,796,050	60.65
Grace Lord Group Limited	(a)	578,428,937	34.57
First Dynamic Limited	(a)	367,500,000	21.96
Housemaster Holdings Limited	(a)	367,500,000	21.96
Matthews International Capital Management, LLC	(b)	150,877,000	9.01

Notes:

(a) The entire issued share capital of Yue Xiu was beneficially wholly-owned by Guangzhou Yue Xiu Holdings Limited. Yue Xiu held 8,653 shares in the Company as beneficial owner and deemed interest in the balance of 1,014,787,397 shares through its wholly-owned subsidiaries, namely, Grace Lord Group Limited, Housemaster Holdings Limited, Yue Xiu Finance Company Limited, Dragon Year Industries Ltd. and Greenwood Pacific Limited.

(b) Matthews International Capital Management, LLC held these shares as investment manager.

SHARE OPTIONS

On 25 June 2002, the shareholders of the Company approved the resolutions relating to the termination of the old share option scheme and the adoption of a new share option scheme ("2002 Share Option Scheme"). The 2002 Share Option Scheme complies with the amendments to Chapter 17 of the Listing Rules and has expired in June 2012.

Pursuant to the 2002 Share Option Scheme, the board of directors of the Company ("Board") may grant to any person being an employee, officer, director, agent, consultant or representative of Yue Xiu, the Company or any of their respective subsidiaries ("Participants") options to subscribe for shares in the Company. The purpose of the 2002 Share Option Scheme is to provide incentives to Participants to contribute to the Group and to enable the Group to recruit, retain and motivate high-calibre employees and attract human resources that are valuable to the Group. The total number of shares which may be issued upon exercise of all options to be granted under the 2002 Share Option Scheme is 10% of the number of shares in issue as at the date of approval of the 2002 Share Option Scheme. The maximum entitlement of each Participant upon exercise of the options granted or to be granted within any 12-month period immediately preceding the proposed date of grant is limited to 1% of the number of shares in issue as at the proposed date of grant. Any further grant of options in excess of this limit is subject to shareholders' approval in general meeting. The share options are exercisable from the commencement date of the option period (which shall be a period to be notified by the Board at the time of the grant of an option, such period to commence on the date of grant or such later date as the Board may decide and expire on the last day of the period, which in any event shall not exceed 10 years from the date of grant), of which a maximum of up to (i) 30%; and (ii) 60% (inclusive of any options exercised under (i)), of the options granted under the relevant grant are exercisable during the period (i) up to the first anniversary; and (ii) up to the second anniversary of the commencement date of the option period respectively. After the second anniversary of the commencement date of the option period the restrictions will cease. In respect of a Participant who is an employee of Yue Xiu, the Company or any of their respective subsidiaries, the same limits on the exercise of the share options as described above shall also apply, except that the periods referred to in (i) and (ii) above shall commence from the later of: (a) the date of completion by such Participant of one year of continuous employment as permanent member of the staff of Yue Xiu, the Company or any of their respective subsidiaries, as the case may be; and (b) the commencement date of the option period, and the date when the restrictions cease shall be modified accordingly. The exercise price is determined by the Board and must be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotation sheets on the date of grant; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotation sheets for the five business days immediately preceding the date of grant; and (c) the nominal value of the shares. The cash consideration to be paid for each grant of option is HK$10, with full payment of the exercise price to be made upon exercise of an option. No such options have been granted to any person since its adoption as required to be disclosed under the Listing Rules.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws and there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosure with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30% of the Group's total sales and purchases during the current and previous years.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers, Certified Public Accountants, who retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Zhang Zhaoxing
Chairman

Hong Kong, 18 March 2013

INDEPENDENT AUDITOR'S REPORT

羅兵咸永道

TO THE SHAREHOLDERS OF YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

(incorporated in Bermuda with limited liability)

We have audited the consolidated financial statements of Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (together, the "Group") set out on pages 77 to 155, 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 statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

DIRECTORS' RESPONSIBILITY FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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, in accordance with Section 90 of the Companies Act 1981 of Bermuda 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 judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the consolidated financial statements.

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

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

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, 18 March 2013

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Revenue	5	**1,485,211**	1,321,997
Cost of services	7	**(501,995)**	(435,478)
Construction income under service concession upgrade services	34	**64,768**	310,871
Construction cost under service concession upgrade services	34	**(64,768)**	(310,871)
Other income	6	**4,603**	2,649
Other gains – net	6	**98,917**	93,180
General and administrative expenses	7	**(195,292)**	(160,071)
Operating profit		**891,444**	822,277
Finance income	9	**58,452**	22,190
Finance costs	9	**(330,643)**	(161,284)
Share of result of a jointly controlled entity	19	**7,109**	17,298
Share of results of associates	20	**179,883**	158,797
Profit before income tax		**806,245**	859,278
Income tax expense	10	**(248,517)**	(134,217)
Profit for the year		**557,728**	725,061
Attributable to:			
Shareholders of the Company		**426,915**	558,212
Non-controlling interests		**130,813**	166,849
		557,728	725,061
Earnings per share for profit attributable to the shareholders of the Company			
		RMB per share	RMB per share
Basic and diluted	12	**0.2552**	0.3336
		RMB'000	RMB'000
Dividends	13	**271,999**	328,787

The notes on pages 86 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2012

	2012 RMB'000	2011 RMB'000
Profit for the year	**557,728**	725,061
Other comprehensive income		
Fair value gain/(loss) on available-for-sale financial assets, net of tax	**47,548**	(6,663)
Currency translation differences	—	(89,110)
Total comprehensive income for the year	**605,276**	629,288
Total comprehensive income attributable to:		
Shareholders of the Company	**474,463**	462,439
Non-controlling interests	**130,813**	166,849
	605,276	629,288

The notes on pages 86 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	31 December 2012 RMB'000	31 December 2011 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	14	**13,612,830**	10,904,496
Goodwill	15	**408,276**	308,095
Property, plant and equipment	16	**597,519**	537,433
Investment properties	17	**16,876**	11,593
Investment in a jointly controlled entity	19	**331,545**	324,436
Investments in associates	20	**1,613,598**	1,639,791
Available-for-sale financial asset	21	**992**	138,939
Derivative financial instrument	31	—	3,481
Other non-current receivables	22	**135,579**	141,998
		16,717,215	14,010,262
Current assets			
Trade receivables	23	**33,105**	20,963
Other receivables, deposits and prepayments	23	**701,714**	817,702
Cash and cash equivalents	24	**1,057,124**	1,298,476
		1,791,943	2,137,141
Asset classified as held for sale	25	**201,543**	—
		1,993,486	2,137,141
Total assets		**18,710,701**	16,147,403

Consolidated Balance Sheet

AS AT 31 DECEMBER 2012

	Note	31 December 2012 RMB'000	31 December 2011 RMB'000
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	26	**147,322**	147,322
Reserves	27		
Others		**7,798,282**	7,595,813
Proposed final dividend		**148,862**	190,718
		8,094,466	7,933,853
Non-controlling interests		**1,989,896**	2,025,553
Total equity		**10,084,362**	9,959,406
LIABILITIES			
Non-current liabilities			
Borrowings	28	**5,812,058**	3,765,664
Deferred income tax liabilities	29	**1,529,145**	1,173,720
		7,341,203	4,939,384
Current liabilities			
Borrowings due within one year	28	**615,425**	598,186
Amounts due to non-controlling interests of subsidiaries	30	**244,192**	183,211
Amounts due to holding companies	30	**239**	228
Amount due to a jointly controlled entity	30	**31,500**	17,500
Trade and other payables and accrued charges	31	**336,234**	410,392
Current income tax liabilities		**57,546**	39,096
		1,285,136	1,248,613
Total liabilities		**8,626,339**	6,187,997
Total equity and liabilities		**18,710,701**	16,147,403
Net current assets		**506,807**	888,528
Total assets less current liabilities		**17,425,565**	14,898,790

Zhang Zhaoxing
Director

Li Xinmin
Director

The notes on pages 86 to 155 are an integral part of these consolidated financial statements.

BALANCE SHEET

AS AT 31 DECEMBER 2012

	Note	31 December 2012 RMB'000	31 December 2011 RMB'000
ASSETS			
Non-current assets			
Property, plant and equipment	16	**1,019**	2,164
Investments in subsidiaries	18(a)	**3,528,601**	2,744,457
		3,529,620	2,746,621
Current assets			
Amounts due from subsidiaries	18(b)	**2,504,435**	2,177,146
Deposits and prepayments	23	**808**	742
Cash and cash equivalents	24	**67,028**	306,773
		2,572,271	2,484,661
Total assets		**6,101,891**	5,231,282
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	26	**147,322**	147,322
Reserves	27		
Others		**4,531,997**	4,199,260
Proposed final dividend		**148,862**	190,718
Total equity		**4,828,181**	4,537,300
LIABILITIES			
Non-current liability			
Borrowings	28	**1,113,366**	252,938
		1,113,366	252,938

Balance Sheet

AS AT 31 DECEMBER 2012

	Note	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Current liabilities			
Borrowings due within one year	28	**75,706**	—
Amounts due to subsidiaries	18(b)	**50,524**	410,661
Other payables and accrued charges	31	**34,114**	30,383
		160,344	441,044
Total liabilities		**1,273,710**	693,982
Total equity and liabilities		**6,101,891**	5,231,282
Net current assets		**2,411,927**	2,043,617
Total assets less current liabilities		**5,941,547**	4,790,238

Zhang Zhaoxing
Director

Li Xinmin
Director

The notes on pages 86 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2012

	Note	2012 RMB'000	2011 RMB'000
Cash flows from operating activities			
Cash generated from operations	33(a)	**966,382**	1,077,886
China enterprise income tax and withholding tax paid		**(199,884)**	(156,160)
Net cash generated from operating activities		**766,498**	921,726
Cash flows used in investing activities			
Payments of construction costs under service concession upgrade services		**(64,768)**	(310,871)
Acquisition of subsidiaries in 2010		—	(769,531)
Acquisition of subsidiary in 2011		**(18,337)**	(795,738)
Acquisition of subsidiaries in 2012	32(a)	**(946,555)**	—
Payments for acquiring additional interest in a subsidiary		—	(54,000)
Capital injection to an associate	20	**(52,736)**	(62,562)
Proceeds from compensation arrangement	23(b)	—	357,658
Proceeds from disposal of property, plant and equipment		**930**	105
Purchase of property, plant and equipment		**(77,607)**	(467,250)
Repayment of loans advanced to associates		—	50,744
Dividends received from associates	20	**258,812**	306,002
Investment in available-for-sale financial assets		**(200)**	—
Interest received from compensation receivable		**39,214**	—
Interest received		**20,980**	24,027
Net cash used in investing activities		**(840,267)**	(1,721,416)
Cash flows used in financing activities			
Proceeds from bank borrowings		**988,156**	634,365
Repayment of bank loans		**(411,370)**	(177,520)
Proceeds of loan from non-controlling interests of certain subsidiaries		—	78,000
Repayment of loans from a non-controlling interest of subsidiary		**(43,413)**	(3,022)
Repayment of short term loans		**(25,800)**	(500)
Proceed of loan from a jointly controlled entity		**14,000**	17,500
Dividends paid to the shareholders of Company		**(313,855)**	(307,455)
Dividends paid to non-controlling interests		**(42,639)**	(173,319)
Capital contribution from non-controlling interest		**8,096**	83,791
Interest paid		**(341,290)**	(164,153)
Net cash used in financing activities		**(168,115)**	(12,313)
Net decrease in cash and cash equivalents		**(241,884)**	(812,003)
Cash and cash equivalents at 1 January		**1,298,476**	2,111,929
Effect of foreign exchange rate changes		**532**	(1,450)
Cash and cash equivalents at 31 December	24	**1,057,124**	1,298,476
Analysis of cash and cash equivalents			
Bank balances and cash		**1,057,124**	1,298,476

The notes on pages 86 to 155 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2012

	Attributable to shareholders of the Company		Non-controlling	
	Share capital	Reserves	interests	Total
	RMB'000	RMB'000	RMB'000	RMB'000
Balance at 1 January 2012	147,322	7,786,531	2,025,553	9,959,406
Comprehensive income				
Profit for the year	—	426,915	130,813	557,728
Other comprehensive income				
Increase in fair value of available-for-sale financial assets	—	63,396	—	63,396
Deferred tax on fair value gain of available-for-sale financial assets	—	(15,848)	—	(15,848)
Total other comprehensive income	—	47,548	—	47,548
Total comprehensive income	—	474,463	130,813	605,276
Transactions with owners				
Capital contribution from non-controlling interests	—	—	8,096	8,096
Setup of a subsidiary	—	5	—	5
Dividends to the shareholders of the Company	—	(313,855)	—	(313,855)
Dividends to non-controlling interests	—	—	(174,566)	(174,566)
Total transactions with owners	—	(313,850)	(166,470)	(480,320)
Balance at 31 December 2012	147,322	7,947,144	1,989,896	10,084,362

	Attributable to shareholders of the Company		Non-controlling	
	Share capital RMB'000	Reserves RMB'000	interests RMB'000	Total RMB'000
Balance at 1 January 2011	147,322	7,666,262	1,873,234	9,686,818
Comprehensive income				
Profit for the year	—	558,212	166,849	725,061
Other comprehensive income				
Currency translation differences	—	(89,110)	—	(89,110)
Decrease in fair value of available-for-sale financial assets	—	(8,884)	—	(8,884)
Deferred tax on fair value loss of available-for-sale financial assets	—	2,221	—	2,221
Total other comprehensive income	—	(95,773)	—	(95,773)
Total comprehensive income	—	462,439	166,849	629,288
Transactions with owners				
Non-controlling interests arising on business combination (note 32(b))	—	—	101,767	101,767
Capital contribution from non-controlling interests (note)	—	—	83,791	83,791
Changes in ownership interests in a subsidiary	—	(34,715)	(19,285)	(54,000)
Dividends to the shareholders of the Company	—	(307,455)	—	(307,455)
Dividends to non-controlling interests	—	—	(180,803)	(180,803)
Total transactions with owners	—	(342,170)	(14,530)	(356,700)
Balance at 31 December 2011	147,322	7,786,531	2,025,553	9,959,406

Note: The balance represents the capital contribution from non-controlling interests of a subsidiary, "Wuzhou Yue Xin Chishui Terminal Co., Ltd." which was setup in 2011.

The notes on pages 86 to 155 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") are principally engaged in investment in and development, operation and management of expressways and bridges mainly in Guangdong Province and other high-growth provinces in the People's Republic of China (the "PRC"). Besides, the Group is also engaged to construct, manage and operate a port in Wuzhou located in Guangxi.

The Company is an exempted company incorporated under the laws of Bermuda. The address of its registered office is Canon's Court, 22 Victoria Street, Hamilton HM12, Bermuda and its principal place of business in Hong Kong is 23rd Floor, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the "Stock Exchange").

These financial statements are presented in Renminbi ("RMB") thousand dollars, unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 18 March 2013.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The significant 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.

(a) Basis of preparation

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards ("HKFRS") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). They have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets (including derivative financial instruments) at fair value through profit or loss and investment properties, which are carried at fair value.

The preparation of 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.

New/revised standards, amendments and improvements

The following amendments to standards relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2012 for the Group.

HKAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets
HKFRS 7 (amendment)	Financial Instruments: Disclosures on Transfer of Financial Assets

The adoption of these amendments to standards do not have significant impact on the Group's results and financial position nor any substantial changes in the Group's accounting policies and the presentation of the consolidated financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(a) Basis of preparation (Continued)

The following new standards, amendments and improvements to standards relevant to its operations have been issued but are not effective for the financial year beginning 1 January 2012 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 1 (amendment)	Presentation of Financial Statements	1 July 2012
HKAS 19 (2011)	Employee Benefits	1 January 2013
HKAS 27 (2011)	Separate Financial Statements	1 January 2013
HKAS 28 (2011)	Investments in Associates and Joint Ventures	1 January 2013
HKAS 32 (amendment)	Financial Instruments: Presentation – Offsetting Financial Assets and Liabilities	1 January 2014
HKFRS 7 (amendment)	Financial Instruments: Disclosures – Offsetting Financial Assets and Liabilities	1 January 2013
HKFRS 7 (amendment)	Financial instruments: Disclosures – Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 9 (amendment)	Financial Instruments – Mandatory Effective Date and Transition Disclosures	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 10, 12 and HKAS 27 (2011) (amendment)	Investment Entities	1 January 2014
HKFRS 10 (amendment)	Consolidated Financial Statements: Transition guidance	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 11 (amendment)	Joint Arrangement: Transition guidance	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 12 (amendment)	Disclosure of Interests in Other Entities: Transition guidance	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013
HKFRSs	Annual improvements 2011	1 January 2015

The Group has assessed the potential impact of applying HKFRS 10, 11, 12, HKAS 27 (2011) and 28 (2011) and no significant impact to the Group is expected.

Management is in the process of making an assessment of the impact of the other standards and amendments to standards and is not yet in a position to state whether they would have a significant impact on the Group's results of operations and financial position.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation

(i) Subsidiaries

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. 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.

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 at fair value of acquiree's identifiable net assets.

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 (note 2(f)).

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

Investments in subsidiaries are accounted for at cost less impairment. Cost is adjusted to reflect changes in consideration arising from contingent consideration amendments. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(ii) Transactions with non-controlling interests

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.

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.

(iii) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also 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.

(iv) Joint ventures

A joint venture is a contractual arrangement whereby the Group and other parties undertake an economic activity which is subject to joint control and none of the participating parties has unilateral control over the economic activity. Investment in a jointly controlled entity is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its jointly controlled entity's post-acquisition profits or losses is recognised in the consolidated income statement, and its share of post-acquisition movements in reserves is recognised in reserves. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(b) Consolidation (Continued)

(v) 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 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.

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 income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's 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 income statement.

(c) 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 executive directors of the Company that makes strategic decisions.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation

(i) *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 RMB, which is the Company's functional and presentation currency.

(ii) *Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. 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 income statement.

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

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 amortised cost are recognised in profit or loss, and other changes in 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.

Effective from 1 December 2009, the Group changed its functional currency from Hong Kong dollars ("HK dollars") to Renminbi ("RMB"). The Group's assets and liabilities denominated in HK dollars were regarded as foreign currency balances upon the change, carrying amounts of which were translated into RMB by applying the applicable foreign exchange rate on 1 December 2009 with the resulting foreign exchange difference being recognised as other comprehensive income. When a foreign operation is disposed or partially disposed, the corresponding exchange differences previously recognised in equity would be recognised in the income statement as exchange gain or loss.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(d) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

— assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;

— income and expenses for each income statement are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and

— all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are taken to other comprehensive income. When a foreign operation is sold, such exchange differences are recognised in the income statement as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate. Exchange differences arising are recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(e) Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for periods of 20 to 35 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway/bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group. According to the relevant regulations, these operating rights are not renewable and the Group does not have any termination options.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road/bridge services and are recorded in the balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

(f) Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary, at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in "Goodwill". Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose identified according to operating segment.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(g) Property, plant and equipment

Land and building comprise offices and staff quarters. Leasehold land classified as finance lease and all other property, plant and equipment are stated at cost less depreciation. 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 costs are charged in the income statement during the financial period in which they are incurred.

Leasehold land classified as finance lease commences amortisation from the time when the land interest becomes available for its intended use. Amortisation on leasehold land classified as finance lease and depreciation on other assets is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term or useful life
Buildings	25 years
Furniture, fixtures and equipment	3 - 10 years
Motor vehicles	3 - 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at 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(i)).

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

(h) Investment properties

Investment property, principally comprising leasehold land and office buildings, is held for long-term rental yields and is not occupied by the Group. Lands held under operating leases are accounted for as investment properties when the rest of the definition of an investment property is met. In such cases, the operating leases concerned are accounted for as if they were finance leases. Investment property is initially measured at cost, including related transaction costs. After initial recognition at cost, investment properties are carried at fair value, representing open market value determined at each reporting date by external valuers. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If the information is not available, the Group uses alternative valuation methods such as recent prices on less active markets or discounted cash flow projections. These valuations are reviewed annually by an independent qualified valuer. Changes in fair values are recorded in the income statement as part of a valuation gain or loss in "other gains – net".

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(i) Impairment of investments in subsidiaries, a jointly controlled entity, associates and non-financial assets

Assets that have an indefinite useful life, for example goodwill, are not subject amortisation, and are tested annually for impairment. Assets 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). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(j) Assets held-for-sale

Assets are classified as held for sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. The assets are stated at the lower of carrying amount and fair value less costs to sell.

(k) Financial assets

The Group classifies its financial assets in the following categories: loans and receivables, derivative financial instruments and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivable 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 maturities greater than 12 months after the balance sheet date, which are classified as non-current 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 the investment matures or management intends to dispose of it within 12 months of the end of the reporting period.

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 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 income statement as "gains or losses on available-for-sale financial assets". Dividend on available-for-sale equity instruments are recognised in the income statement when the Group's right to receive payment is established.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial asset

(i) 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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial recognition;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including
  - (i) adverse changes in the payment status of borrowers in the portfolio;
  - (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

The Group first assesses whether objective evidence of impairment exists.

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 asset's carrying amount is reduced and the amount of the loss is recognised in the consolidated income statement. If a loan or held-to-maturity investment 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 income statement.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(l) Impairment of financial asset (Continued)

(ii) 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 refer to (i) 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 the consolidated income statement. 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.

(m) Derivative financial instrument

Derivative financial instrument is initially recognised at fair value on the date contract is entered into and is subsequently re-measured at their fair value with changes recognised in the consolidated income statement.

(n) Trade and other receivables

Trade and other receivables which are classified as loan and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. If collection of trade and other receivables is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets.

(o) Cash and cash equivalents

In the consolidated statement of cash flows, cash and cash equivalents include cash in hand and deposits held at call with banks and short-term bank deposits with original maturities of three months or less.

(p) 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.

(q) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(r) 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 income statement over the period of the borrowings using the effective interest method.

Fee 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 the facility will be drawn down. In this case, the fee is deferred until the drawn-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 prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowing costs are capitalised when funds are borrowed to finance the construction of highways and bridges up to the commencement of economic operations of the toll highways and bridges.

All other borrowing costs are charged to the income statement in the period in which they are incurred.

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.

(s) Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the 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.

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, associates and a jointly controlled entity 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 and establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, 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, 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(s) Current and deferred income tax (Continued)

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.

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, associates and a jointly controlled entity, except 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.

Deferred income taxes and liability are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities related to income tax 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.

(t) Provisions

Provisions 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.

(u) 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 income statement on a straight-line basis over the period of the lease.

The Group leases certain property, plant and equipment. Lease of property, plant and equipment where the group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's commencement at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges. The corresponding rental obligations, net of finance charges, are included in other payables. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases are depreciated over the shorter of the useful life of the asset and the lease term.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

(v) Retirement benefit costs

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

(w) Revenue recognition

(i) Toll revenue is recognised on a receipt basis.

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

(iii) Interest income is recognised on a time-proportion basis using the effective interest method.

(iv) Rental income from investment property is recognised in the income statement on a straight-line basis over the term of the lease.

(v) Construction income generated from construction and upgrade services rendering by the Group is recognised under the percentage of completion method. The stage of completion is measured on the basis of contract costs incurred up to the balance sheet date as a percentage to the total estimated cost to be incurred for each contract.

(x) Dividend distribution

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors of the Company ("Directors").

3 FINANCIAL RISK MANAGEMENT

3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and cash flow interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and currently considers not necessary to hedge any of these financial risks.

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Company and major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. It did not have significant exposure to foreign exchange risk in the PRC, except for certain cash and bank balances of approximately RMB42,818,000 (2011: RMB321,955,000), bank borrowings of approximately RMB937,488,000 (2011: nil) and other payable of approximately RMB118,935,000 (2011: nil) which were denominated in Hong Kong dollars ("HK$") and cash and bank balances of approximately RMB25,000 (2011: RMB35,525,000) and a bank borrowing of approximately RMB251,584,000 (2011: RMB252,938,000) which were dominated in United States dollar ("USD") as at 31 December 2012. Under the Linked Exchange Rate System in Hong Kong, HKD is pegged to USD. The conversion of RMB into foreign currencies is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2012, if HK$ had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB63,258,000 higher/lower (2011: RMB5,227,100 lower/higher), mainly as a result of net foreign exchange on translation of HK$-denominated cash and bank balances and the consideration payable.

The Group currently does not have a foreign currency hedging policy on the foreign currency balances.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(a) *Market risk* (Continued)

(ii) Cash flow interest rate risk

The Group s interest rate risk arises from bank balances, interest bearing other receivable and borrowings. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balance and interest bearing receivable held at variable rates. Borrowings issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to minimise the interest rate risk by closely monitor the ratio between borrowings at variable rates and borrowings at fixed rates. During 2012 and 2011, the Group s borrowings at variable rate were mainly denominated in the RMB and HK dollar.

The Group's loans from non-controlling interests of subsidiaries were issued at fixed rates or interest free, which expose the Group to fair value interest-rate risk.

The Group's long-term borrowings issued at variable rates which expose the Group to cash flow interest-rate risk.

At 31 December 2012, if interest rates on borrowings had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by RMB17,935,000 (2011: RMB8,864,000).

(iii) Price risk

The Group is exposed to equity securities price risk because available-for-sale financial assets held by the Group, which are not publicly traded, would be influenced by market price. The Group closely monitors the fluctuation of the price and assesses the impact on the Group's financial statements.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(b) *Credit risk*

The Group and the Company have no significant concentrations of credit risk. The carrying amounts of cash and cash equivalents, other non-current receivables, trade receivables, other receivables and amounts due from subsidiaries represent the Group's and the Company's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with state-owned banks or listed banks, management considers these balances are subject to low credit risk. The Group carries out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk.

As result of the business nature of the Group, the Group has no significant concentration of credit risk arising from its customers, except for the consideration receivable of RMB151.8 million (2011: RMB160.4 million) and other receivables of RMB587.6 million (2011: RMB701.6 million) which are due from government authorities in the PRC in relation to compensation for surrendering the toll stations to the Xiangtan Municipal People's Government (Note 22) and the Guangzhou Municipal People's Government (the "GZ Government") (Note 23(b)).

In addition, the Company monitors its exposure to credit risk in respect of the financial assistance provided to subsidiaries through exercising control over their financial and operating policy decisions and reviewing their financial positions on a regular basis.

(c) *Liquidity risk*

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements.

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying balances as the impact of discounting is not significant.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

Group

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total RMB'000
As at 31 December 2012						
Borrowings	—	**990,790**	**1,347,841**	**3,040,825**	**2,908,609**	**8,288,065**
Amounts due to non-controlling interests of subsidiaries	**137,986**	**106,206**	—	—	—	**244,192**
Amounts due to holding companies	**239**	—	—	—	—	**239**
Amount due to a jointly controlled entity	**31,500**	—	—	—	—	**31,500**
Trade and other payables and accrued charges	—	**336,234**	—	—	—	**336,234**
	169,725	**1,433,230**	**1,347,841**	**3,040,825**	**2,908,609**	**8,900,230**
As at 31 December 2011						
Borrowings	—	855,217	563,699	1,962,122	2,310,068	5,691,106
Amounts due to non-controlling interests of subsidiaries	58,668	124,543	—	—	—	183,211
Amounts due to holding companies	228	—	—	—	—	228
Amount due to a jointly controlled entity	17,500	—	—	—	—	17,500
Trade and other payables and accrued charges	—	410,392	—	—	—	410,392
	76,396	1,390,152	563,699	1,962,122	2,310,068	6,302,437

3 FINANCIAL RISK MANAGEMENT (Continued)

3.1 Financial risk factors (Continued)

(c) *Liquidity risk* (Continued)

Company

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Total RMB'000
As at 31 December 2012					
Borrowings	—	**75,706**	**535,092**	**578,274**	**1,189,072**
Amounts due to subsidiaries	**50,524**	—	—	—	**50,524**
Other payables and accrued charges	—	**34,114**	—	—	**34,114**
	50,524	**109,820**	**535,092**	**578,274**	**1,273,710**
As at 31 December 2011					
Amounts due to subsidiaries	410,661	—	—	—	410,661
Other payables and accrued charges	—	30,383	—	—	30,383
	410,661	30,383	—	—	441,044

3.2 Capital risk management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, 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.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.2 Capital risk management (Continued)

The gearing ratio is calculated as follows:

	2012 RMB'000	2011 RMB'000
Borrowings	**6,427,483**	4,363,850
Amounts due to non-controlling interests of subsidiaries	**43,070**	58,668
Amount due to a jointly-controlled entity	**31,500**	17,500
Total debts	**6,502,053**	4,440,018
Less: cash and cash equivalents	**(1,057,124)**	(1,298,476)
Net debts	**5,444,929**	3,141,542
Equity attributable to the shareholders of the Company	**8,094,466**	7,933,853
Total capital	**13,539,395**	11,075,395
Gearing ratio	**40.2%**	28.4%

The increase in gearing ratio at 31 December 2012 was mainly attributable to addition in borrowings of approximately RMB1,604 million from the acquisition of 河南瑞貝卡實業有限公司 (Henan Ruibeika Industrial Company Limited[1]) and its subsidiary, 鄢陵瑞貝卡高速公路服務有限公司 (Yanling Ruibeika Expressway Services Limited[1]) in 2012 (note 32(a)).

3.3 Fair value estimation

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- 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).

1 For identification purpose only

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the Group's financial instruments that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2012				
Available-for-sale financial assets	—	—	**992**	**992**
Asset classified as held for sale (note 25)	—	—	**201,543**	**201,543**
Total	—	—	**202,535**	**202,535**
As at 31 December 2011				
Available-for-sale financial assets	—	—	138,939	138,939
Derivative financial instrument	—	—	3,481	3,481
Total	—	—	142,420	142,420

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each balance sheet date.

Specific valuation techniques used to value financial instruments include:

- For unlisted securities without an active market, the Group establishes the fair value by using market comparison approach.
- The fair value of the derivative financial instrument is determined using Trinomial Option Pricing model.
- 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.

There were no liabilities of financial instruments and no significant transfers of financial assets among level 1, level 2 and level 3 fair value hierarchy classifications in both years.

3 FINANCIAL RISK MANAGEMENT (Continued)

3.3 Fair value estimation (Continued)

The following table presents the changes in level 3 instruments for the year ended 31 December 2012:

	Available-for-sale financial assets RMB'000	Asset classified as held for sale RMB'000	Derivative financial instrument RMB'000	Total RMB'000
As at 1 January 2012	**138,939**	—	**3,481**	**142,420**
Addition	**200**	—	—	**200**
Fair value gain on available-for-sale financial assets recognised in the consolidated statement of comprehensive income	**63,396**	—	—	**63,396**
Reclassify to asset classified as held for sale (Note 25)	**(201,543)**	**201,543**	—	—
Fair value loss on derivative financial instruments recognised in the consolidated income statement	—	—	**(3,481)**	**(3,481)**
As at 31 December 2012	**992**	**201,543**	—	**202,535**

The following table presents the changes in level 3 instruments for the year ended 31 December 2011:

	Available-for-sale financial assets RMB'000	Derivative financial instrument RMB'000	Total RMB'000
As at 1 January 2011	147,823	9,140	156,963
Fair value losses on available-for-sale financial assets recognised in the consolidated statement of comprehensive income	(8,884)	—	(8,884)
Fair value loss on derivative financial instruments recognised in the consolidated income statement	—	(5,659)	(5,659)
As at 31 December 2011	138,939	3,481	142,420

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

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

The Group 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 have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a units-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

The Group reviews regularly the projected total traffic volume throughout the life of the respective assets, and if it is considered appropriate, independent professional traffic studies will be obtained. Appropriate adjustment will be made should there be a material change.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 0% to 35.4%. Traffic volumes of certain toll highways and bridges of the Group have become saturated; while traffic growth rate of a toll highway in Hubei is forecasted to be significant due to the opening of its extension connected to Wuhan Tianhe Airport.

(b) Current income tax, business tax and deferred income tax

The Group is subject to income tax and business tax in the PRC. Significant judgement is required in determining the amount of the provision for and the timing of payment of the related income tax and business tax. There are many 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 income tax, business tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The management exercises judgement in determining the future taxable profit based on the projected future traffic volume and specific circumstance of the toll highways and bridges operated by the individual entity with tax losses. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (Continued)

(c) Impairment of intangible operating rights

The Group tests whether intangible operating right has suffered any impairment if such indicator exists. The recoverable amounts of cash generating units have been primarily determined based on value-in-use calculations. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit to which the intangible operating right belongs and a suitable discount rate in order to calculate the present value. When the intangible operating right's carrying amount exceeds its value-in-use, the Group also determines the intangible operating right's fair value less costs to sell to determine the intangible operating right's recoverable amount, which is the higher of its fair value less costs to sell and value in use.

5 REVENUES AND SEGMENT INFORMATION

The Group is principally engaged in the operation and management of toll highways, bridges and port in the PRC. Revenue representing the Group's turnover recognised during the year is as follows:

The chief operating decision-maker has been identified as the executive directors. The executive directors review the Group's internal reporting in order to assess performance of the Group's main reporting segment – Toll highways and bridges projects in the PRC. The executive directors assess the performance of this main reporting segment based on measure of profit after income tax for the year. Other operations mainly comprise port operation, investment and others. There have been no sales carried out between segments. None of these operations constitutes a separate segment.

Business segment	Toll roads operations RMB'000	Port and all other segments RMB'000	Total RMB'000
31 December 2012			
Revenue (from external customers)	**1,485,211**	—	**1,485,211**
Operating profit	**887,269**	**4,175**	**891,444**
Finance income	**58,452**	—	**58,452**
Finance costs	**(330,643)**	—	**(330,643)**
Share of result of a jointly controlled entity	**7,109**	—	**7,109**
Share of results of associates	**179,883**	—	**179,883**
Profit before income tax	**802,070**	**4,175**	**806,245**
Income tax (expense)/credit	**(249,138)**	**621**	**(248,517)**
Profit for the year	**552,932**	**4,796**	**557,728**
31 December 2011			
Revenue (from external customers)	1,321,997	—	1,321,997
Operating profit	820,564	1,713	822,277
Finance income	22,190	—	22,190
Finance costs	(161,284)	—	(161,284)
Share of result of a jointly controlled entity	17,298	—	17,298
Share of results of associates	158,797	—	158,797
Profit before income tax	857,565	1,713	859,278
Income tax expense	(133,839)	(378)	(134,217)
Profit for the year	723,726	1,335	725,061

5 REVENUES AND SEGMENT INFORMATION (Continued)

Assets and liabilities	Toll roads operations RMB'000	Port and all other segments RMB'000	Total RMB'000
As at 31 December 2012			
Total segment assets	**17,769,708**	**940,993**	**18,710,701**
Total segment assets include:			
Investment in a jointly controlled entity	**331,545**	—	**331,545**
Investments in associates	**1,613,598**	—	**1,613,598**
Total segment liabilities	**8,225,966**	**400,373**	**8,626,339**
Total segment liabilities include:			
Amount due to a jointly controlled entity	**31,500**	—	**31,500**
As at 31 December 2011			
Total segment assets	15,365,800	781,603	16,147,403
Total segment assets include:			
Investment in a jointly controlled entity	324,436	—	324,436
Investments in associates	1,639,791	—	1,639,791
Total segment liabilities	5,858,828	329,169	6,187,997
Total segment liabilities include:			
Amount due to a jointly controlled entity	17,500	—	17,500

The Group is domiciled in the PRC. All revenues of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. Thus no geographic information is presented.

There are no differences from the last annual financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss.

6 OTHER INCOME AND OTHER GAINS – NET

	2012 RMB'000	2011 RMB'000
Other income		
Others	**4,603**	2,649
Other gains – net		
Fair value gain on investment properties (note 17)	**5,283**	1,675
Fair value loss on derivative financial instrument	**(3,481)**	(5,659)
Exchange gain – net (note a)	**7,878**	90,432
Profit/(loss) on disposal of property, plant and equipment	**47**	(295)
Reversal of business tax provision (note b)	**72,230**	—
Others	**16,960**	7,027
	98,917	93,180

Note:

(a) In 2011, certain subsidiaries of the Group repaid their shareholder's loans subsequent to their surrender of toll stations to the GZ Government (note 23(b)), the corresponding cumulative exchange differences of RMB89.7 million arising from the shareholder's loans previously recognised in exchange fluctuation reserve were recognised in the consolidated income statement upon repayments.

(b) The amount was reversal of the business tax provision on the compensation in respect of the resumption of four Class I Highways by the GZ Government referred to in note 23b.

7 EXPENSES BY NATURE

Expenses included in cost of services and general and administrative expenses are analysed as follows:

	2012 RMB'000	2011 RMB'000
Business tax	**51,098**	45,699
Amortisation of intangible operating rights (note 14)	**256,291**	229,776
Impairment losses on goodwill (note 15)	—	3,685
Depreciation of property, plant and equipment (note 16)	**22,613**	20,793
Toll highways and bridges maintenance expenses	**51,036**	39,681
Toll highways and bridges operating expenses	**44,371**	37,584
Staff costs (including Directors' emoluments) (note)		
– Wages and salaries	**134,096**	113,790
– Pension costs (defined contribution plan)	**13,350**	11,084
– Social security costs	**14,041**	10,198
– Staff welfare and other benefits	**34,318**	28,399
Auditor's remuneration		
– Audit services	**2,110**	2,110
– Non-audit services	**107**	2,661
Rental expenses	**10,543**	2,611
Legal and professional fee	**6,202**	6,960
Transportation expenses	**9,561**	8,359
Others	**47,550**	32,159
Total cost of services and general and administrative expenses	**697,287**	595,549

Note:

The Group operates a defined contribution scheme ("ORSO Scheme") for certain Hong Kong employees as defined in the Occupational Retirement Schemes Ordinance. Contributions to the scheme by the employer and employees are calculated at 15% and 5% respectively of basic salaries of the employees.

The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's MPF Scheme contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HK$1,250 (equivalent to RMB1,014) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HK$6,500 per month (equivalent to RMB5,272). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in the PRC are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Government, and make monthly contributions to the retirement plans equivalent to 20% of the monthly salaries of the employees or three times the preceding year's local annual average wage, whichever is lower.

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director

For the year ended 31 December 2012

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
ZHANG Zhaoxing	—	628	1,255	1,883
LI Xinmin	—	628	1,255	1,883
QIAN Shangning	—	586	1,171	1,757
LIANG Ningguang	—	500	1,000	1,500
LIANG Youpan	—	628	1,255	1,883
WANG Shuhui	—	500	1,000	1,500
	—	3,470	6,936	10,406
Non-executive directors				
FUNG Ka Pun[1]	180	—	—	180
LAU Hon Chuen Ambrose[1]	180	—	—	180
CHEUNG Doi Shu[1]	180	—	—	180
	540	—	—	540
	540	3,470	6,936	10,946

8 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

(a) The remuneration of every Director (Continued)

For the year ended 31 December 2011

Name of directors	Fees RMB'000	Salaries RMB'000	Discretionary bonuses RMB'000	Total RMB'000
Executive directors				
ZHANG Zhaoxing	—	645	2,055	2,700
LI Xinmin	—	645	2,055	2,700
QIAN Shangning	—	601	1,918	2,519
LIANG Ningguang	—	513	1,638	2,151
WANG Shuhui	—	513	1,638	2,151
LIU Yongjie[2]	—	81	139	220
LIANG Youpan	—	318	1,014	1,332
	—	3,316	10,457	13,773
Non-executive directors				
FUNG Ka Pun[1]	180	—	—	180
LAU Hon Chuen Ambrose[1]	180	—	—	180
CHEUNG Doi Shu[1]	180	—	—	180
	540	—	—	540
	540	3,316	10,457	14,313

1 independent non-executive director
2 resigned on 13 June 2011

Note: No Directors waived emoluments in respect of the years ended 31 December 2012 and 2011. No emoluments were paid or payable by the Group to any Directors as an inducement to join or upon joining the Group, or as compensation for loss of office for both years presented.

(b) The five individuals whose emoluments were the highest in the Group for the years ended 31 December 2012 and 2011 are also Directors whose emoluments are reflected in the analysis presented above.

9 FINANCE INCOME/COSTS

	2012 RMB'000	2011 RMB'000
Bank interest income	**10,538**	13,014
Interest income on other non-current receivables	**8,701**	9,176
Interest income on compensation receivable	**39,213**	—
Finance income	**58,452**	22,190
Interest expenses:		
– Bank borrowings	**(343,830)**	(175,183)
– Loans from non-controlling interests of certain subsidiaries	**(16,484)**	(14,658)
– Fair value adjustment on non-interest bearing loans from non-controlling interests of certain subsidiaries	**7,225**	14,107
– Other loans	**(1,813)**	(1,252)
	(354,902)	(176,986)
Less: amount capitalised in construction in progress	**24,259**	15,702
Finance costs incurred	**(330,643)**	(161,284)

The capitalisation rate used to determine the amounts of borrowing costs eligible for capitalisation is 6.72% (31 December 2011: 6.59%) for the year.

10 INCOME TAX EXPENSE

(a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no income assessable to Hong Kong profits tax during the year (2011: Nil).

(b) During the year ended 31 December 2012, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and a jointly controlled entity in the PRC in accordance with the Income Tax Law of China for Enterprises with Foreign Investment and Foreign Enterprises.

On 16 March 2007, the National People's Congress approved the Corporate Income Tax Law of the PRC (the "New CIT Law"), under which all domestic-invested enterprises and foreign-invested enterprises are subject to a standard corporate income tax rate of 25% with effect from 1 January 2008. The Group's principal income tax rate is gradually increased to the standard rate of 25% over a period of 5 years starting from 1 January 2008. The applicable principal income tax rate for the year ended 31 December 2012 is 25% (2011: 24%).

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a tax rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of the Group's subsidiaries and associates in the PRC at tax rates of 5% or 10% (2011: 5% or 10%).

(c) The amount of income tax charged to the consolidated income statement represents:

	2012 **RMB'000**	2011 RMB'000
Current income tax		
PRC enterprise income tax		
– current year	**179,601**	106,166
– under-provision in prior years	**4,055**	499
Deferred income tax (note 29)	**64,861**	27,552
	248,517	134,217

10 INCOME TAX EXPENSE (Continued)

(c) The amount of income tax charged to the consolidated income statement represents: (Continued)

The tax on the Group's profit before income tax less share of results of associates and a jointly controlled entity differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2012 RMB'000	2011 RMB'000
Profit before income tax	**806,245**	859,278
Less: share of results of associates	**(179,883)**	(158,797)
Less: share of result of a jointly controlled entity	**(7,109)**	(17,298)
	619,253	683,183
Calculated at a tax rate of 25% (2011: 24%)	**154,813**	163,964
Income not subject to tax	**(6,101)**	(24,946)
Expenses not deductible for tax purposes	**35,029**	18,381
Profit of a subsidiary with preferential tax treatment (note (a))	**—**	(55,668)
Unrecognised temporary differences	**(3,457)**	378
Recognition of previously unrecognised temporary differences	**—**	(21,704)
Tax loss not recognised (note (b))	**45,620**	21,212
Utilisation of previously unrecognised tax losses	**(9,548)**	(8,686)
Under-provision in prior year	**4,055**	499
Withholding tax on undistributed profits of subsidiaries and associates	**28,106**	40,787
Income tax expense	**248,517**	134,217

Note:

(a) A subsidiary (Guangzhou Northern Second Ring Expressway Company Limited) of the Group enjoyed two years' exemption of income tax for 2007 and 2008 and the income for 2011 was subject to a preferential rate of 12%. The tax rate adjusted to the standard tax rate of 25% in 2012 with the expiration of tax concession period.

(b) Deferred income tax assets are recognised for tax loss carry-forwards to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB152,484,000 (2011: RMB120,818,000) in respect of unused losses amounting to approximately RMB609,934,000 (2011: RMB483,273,000). Unused tax losses will expire in 2015 to 2017.

11 PROFIT ATTRIBUTABLE TO SHAREHOLDERS OF THE COMPANY

The profit attributable to shareholders of the Company is dealt with in the financial statements of the Company to the extent of RMB604,736,000 (2011: Profit of RMB211,803,000).

12 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2012	2011
Profit attributable to shareholders of the Company (RMB'000)	**426,915**	558,212
Weighted average number of ordinary shares in issue ('000)	**1,673,162**	1,673,162
Basic and diluted earnings per share (RMB)	**0.2552**	0.3336

The diluted earnings per share for the year ended 31 December 2012 equals to the basic earnings per share as there are no potential dilative ordinary shares in issue during the year.

13 DIVIDENDS

Company

	2012 **RMB'000**	2011 RMB'000
Interim, paid, of HK$0.09 equivalent to RMB0.0735952 (2011: HK$0.10 equivalent to RMB0.0825196) per share	**123,137**	138,069
Final, proposed, of HK$0.11 equivalent to RMB0.0889706 (2011: HK$0.14 equivalent to RMB0.1139866) per share	**148,862**	190,718
	271,999	328,787

The final dividend proposed after the balance sheet date has not been recognised as a liability at the balance sheet date.

14 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2012	
Opening net book amount	**10,904,496**
Acquisition of a subsidiary (note 32(a))	**2,900,001**
Additions	**64,768**
Disposals	**(144)**
Amortisation	**(256,291)**
Closing net book amount	**13,612,830**
At 31 December 2012	
Cost	**14,806,415**
Accumulated amortisation	**(1,193,585)**
Net book amount	**13,612,830**
Year ended 31 December 2011	
Opening net book amount	7,740,035
Acquisition of a subsidiary (note 32(b))	3,083,366
Additions	310,871
Amortisation	(229,776)
Closing net book amount	10,904,496
At 31 December 2011	
Cost	11,843,792
Accumulated amortisation	(939,296)
Net book amount	10,904,496

At 31 December 2012, toll highway operating rights with net book amount of RMB13,504,006,600 (2011: RMB10,772,592,692) were pledged to secure the Group's bank borrowings.

15 GOODWILL

	2012 RMB'000	2011 RMB'000
At 1 January	**308,095**	302,352
Acquisition of subsidiaries (note 32)	**100,181**	9,428
Impairment losses	—	(3,685)
At 31 December	**408,276**	308,095

Goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisitions of interests in subsidiaries.

Goodwill is allocated to the Group's six cash-generating units including the operations of Guangzhou Northern Second Ring Expressway, Guangxi Cangyu Expressway, Tianjin Jinbao Expressway, Hubei Han-Xiao Highway, Hunan Changzhu Expressway and Weixu Expressway.

The recoverable amounts of the above cash-generating units are determined based on value-in-use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by management covering a five year period. Cash flows beyond the five-year period are extrapolated by using the estimated growth rates ranging from 0% to 5.2%.

Key assumptions and considerations used for the value-in-use calculations included estimated traffic flow growth, vehicle types of the toll expressways and highway operation and expected gross domestic product growth rate. Toll fee charging rates of the expressways or highway were regulated by the relevant government authorities in the PRC.

Management determined the above key assumptions and considerations based on past performance and its expectations for the market development. Both internal and external factors are considered, independent professional traffic studies on traffic flow growth will be obtained where appropriate. Discount rates adopted are ranging from 10.8% to 12.5%. The discount rates used are pre-tax and reflect specific risks relating to the respective toll highways operator industry.

16 PROPERTY, PLANT AND EQUIPMENT

Group

	Leasehold land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Construction in progress RMB'000	Total RMB'000
Year ended 31 December 2012						
Opening net book amount	**539**	**24,293**	**130,018**	**13,775**	**368,808**	**537,433**
Additions	—	—	**8,570**	**6,279**	**62,759**	**77,608**
Acquisition of a subsidiary (Note 32(a))	—	—	**4,594**	**1,236**	—	**5,830**
Disposals	—	—	**(603)**	**(136)**	—	**(739)**
Depreciation	**(16)**	**(646)**	**(18,188)**	**(3,763)**	—	**(22,613)**
Closing net book amount	**523**	**23,647**	**124,391**	**17,391**	**431,567**	**597,519**
At 31 December 2012						
Cost	**570**	**38,241**	**173,151**	**25,720**	**431,567**	**669,249**
Accumulated depreciation	**(47)**	**(14,594)**	**(48,760)**	**(8,329)**	—	**(71,730)**
Net book amount	**523**	**23,647**	**124,391**	**17,391**	**431,567**	**597,519**
Year ended 31 December 2011						
Opening net book amount	536	25,109	53,449	10,390	—	89,484
Exchange differences	19	284	1	—	—	304
Additions	—	—	92,641	5,801	368,808	467,250
Acquisition of a subsidiary (Note 32(b))	—	—	794	794	—	1,588
Disposals	—	—	(301)	(99)	—	(400)
Depreciation	(16)	(1,100)	(16,566)	(3,111)	—	(20,793)
Closing net book amount	539	24,293	130,018	13,775	368,808	537,433
At 31 December 2011						
Cost	570	38,241	163,829	20,924	368,808	592,372
Accumulated depreciation	(31)	(13,948)	(33,811)	(7,149)	—	(54,939)
Net book amount	539	24,293	130,018	13,775	368,808	537,433

16 PROPERTY, PLANT AND EQUIPMENT (Continued)

At 31 December 2012, property, plant and equipment with the net book amount of approximately RMB292,480,000 (2011: RMB292,480,000) were pledged to secure bank borrowing of approximately RMB188,890,000 (2011: RMB195,560,000).

Construction in progress as at 31 December 2012 represented a port under construction located in Wuzhou, the PRC.

Company

	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2012			
Opening net book amount	**679**	**1,485**	**2,164**
Additions	**6**	**598**	**604**
Disposal	**(10)**	**(1,404)**	**(1,414)**
Depreciation	**(121)**	**(214)**	**(335)**
Closing net book amount	**554**	**465**	**1,019**
At 31 December 2012			
Cost	**1,331**	**598**	**1,929**
Accumulated depreciation	**(777)**	**(133)**	**(910)**
Net book amount	**554**	**465**	**1,019**
Year ended 31 December 2011			
Opening net book amount	880	1,679	2,559
Additions	19	—	19
Disposal	(85)	—	(85)
Depreciation	(135)	(194)	(329)
Closing net book amount	679	1,485	2,164
At 31 December 2011			
Cost	1,816	2,932	4,748
Accumulated depreciation	(1,137)	(1,447)	(2,584)
Net book amount	679	1,485	2,164

17 INVESTMENT PROPERTIES

	2012 RMB'000	2011 RMB'000
At 1 January	**11,593**	9,918
Fair value gain	**5,283**	1,675
At 31 December	**16,876**	11,593

The investment properties of the Group were revalued at 31 December 2012 on the basis of their open market values as determined by an independent firm of professional surveyor, appointed by the Group. The fair value of each investment property is individually determined at the end of each reporting period by independent valuer based on a market value assessment.

The Group's investment properties are held on leases of between 10 to 50 years in Hong Kong.

18 INVESTMENTS IN SUBSIDIARIES AND AMOUNTS DUE FROM/TO SUBSIDIARIES

(a) Investments in subsidiaries

	31 December 2012 RMB'000	31 December 2011 RMB'000
Unlisted shares, at cost	**3,528,601**	2,744,457

Details of the principal subsidiaries of the Company are set out in note 37.

(b) The amounts due from/to subsidiaries are unsecured, interest free, repayable on demand and denominated in RMB.

The carrying amounts of the amounts due from/to subsidiaries approximate their fair values.

19 INVESTMENT IN A JOINTLY CONTROLLED ENTITY

	Share of net assets	
	2012	2011
	RMB'000	RMB'000
At 1 January	**324,436**	307,138
Share of results for the year		
– profit before income tax	**13,191**	23,033
– income tax expense	**(6,082)**	(5,735)
	7,109	17,298
At 31 December	**331,545**	324,436

There is no contingent liability arising from Group's interest in jointly controlled entity.

19 INVESTMENT IN A JOINTLY CONTROLLED ENTITY (Continued)

The Group's interests in its jointly controlled entity were as follows:

	Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR Expressway Co., Ltd.")	
	2012	2011
	RMB'000	RMB'000
Revenue	**88,127**	91,006
Expenses	**(81,018)**	(73,708)
Profit	**7,109**	17,298

	31 December 2012	31 December 2011
	RMB'000	RMB'000
Assets:		
Non-current assets	**864,623**	882,899
Current assets	**55,591**	41,132
	920,214	924,031
Liabilities:		
Non-current liabilities	**(410,599)**	(404,517)
Current liabilities	**(178,070)**	(195,078)
	(588,669)	(599,595)
Net assets	**331,545**	324,436

Details of the Group's jointly controlled entity are set out in note 37.

20 INVESTMENTS IN ASSOCIATES

	Share of net assets RMB'000	Loans receivable RMB'000	Total RMB'000
At 1 January 2012	**1,639,791**	—	**1,639,791**
Share of results for the year			
– profit before income tax	**242,454**	—	**242,454**
– income tax	**(62,571)**	—	**(62,571)**
	179,883	—	**179,883**
Dividends	**(258,812)**	—	**(258,812)**
Capital injection (note (a))	**52,736**	—	**52,736**
At 31 December 2012	**1,613,598**	—	**1,613,598**
At 1 January 2011	1,724,434	50,744	1,775,178
Share of results for the year			
– profit before income tax	222,245	—	222,245
– income tax	(63,448)	—	(63,448)
	158,797	—	158,797
Dividends	(306,002)	—	(306,002)
Repayment of shareholders' loan	—	(50,744)	(50,744)
Capital injection (note (a))	62,562	—	62,562
At 31 December 2011	1,639,791	—	1,639,791

Note:

(a) Proportional capital contribution of approximately RMB52,736,000 (2011: RMB62,562,000) was injected to Guangdong Qinglian Highway Development Co., Ltd. during the year. The carrying amount of the loan receivable in 2011 was denominated in RMB.

20 INVESTMENTS IN ASSOCIATES (Continued)

The Group's interests in its associates were as follows:

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	2012	2011	**2012**	2011	**2012**	2011	**2012**	2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Revenue	**186,207**	186,157	**122,449**	107,389	**141,855**	147,238	**63,441**	59,612
Expenses	**(74,324)**	(75,952)	**(146,886)**	(154,064)	**(81,838)**	(83,245)	**(31,021)**	(28,338)
Profit/(loss)	**111,883**	110,205	**(24,437)**	(46,675)	**60,017**	63,993	**32,420**	31,274

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangzhou Northring Freeway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.	
	31 December 2012	31 December 2011	**31 December 2012**	31 December 2011	**31 December 2012**	31 December 2011	**31 December 2012**	31 December 2011
	RMB'000	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Assets:								
Non-current assets	**655,305**	800,502	**2,034,780**	2,067,777	**277,671**	283,520	**245,646**	249,573
Current assets	**60,494**	28,538	**21,645**	54,163	**55,768**	25,443	**25,222**	55,401
	715,799	829,040	**2,056,425**	2,121,940	**333,439**	308,963	**270,868**	304,974
Liabilities:								
Non-current liabilities	**(135,095)**	(196,015)	**(1,328,670)**	(1,362,151)	**(82,764)**	(96,607)	**(18,385)**	(16,677)
Current liabilities	**(24,575)**	(23,516)	**(138,055)**	(198,387)	**(29,140)**	(11,960)	**(6,249)**	(19,813)
	(159,670)	(219,531)	**(1,466,725)**	(1,560,538)	**(111,904)**	(108,567)	**(24,634)**	(36,490)
Net assets	**556,129**	609,509	**589,700**	561,402	**221,535**	200,396	**246,234**	268,484

Details of the Group's associates are set out in note 37.

21 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	2012 RMB'000	2011 RMB'000
At 1 January	**138,939**	147,823
Additions	**200**	—
Fair value gains/(losses) recognised in other comprehensive income	**63,396**	(8,884)
Transfer to asset held for sales (Note 25)	**(201,543)**	—
At 31 December	**992**	138,939

The balance represents unlisted equity securities stated at fair value, which was valued based on market comparison approach.

22 OTHER NON-CURRENT RECEIVABLES

Non-current receivable represents the non-current portion of present value of consideration receivable, discounted at rate of 5.32% in relation to the disposal of the Group's toll operating rights of Xiang Jiang Bridge II completed in 2009.

As at 31 December 2012, the total remaining balance of the consideration receivable is RMB151.8 million (2011: RMB160.4 million) which will be settled by 19 half yearly installments until the end of concessionary period, i.e. 30 November 2021. Approximately RMB135.6 million (2011: RMB142.0 million) will be received after 31 December 2013 (2011: 31 December 2012) according to the receipt schedule.

The fair value of the consideration receivable is approximately RMB154.9 million (2011: RMB162.1 million).

23 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade receivables (note a)	**33,105**	20,963
Other receivables, deposits and prepayments (note b)	**701,714**	817,702
	734,819	838,665

Company

	31 December 2012 RMB'000	31 December 2011 RMB'000
Deposit and prepayments	**808**	742

Note:

(a) As at 31 December 2012, trade receivables were all aged below 30 days (2011: 30 days).

The Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. Accordingly, the Group does not have any specified credit period for its customers.

As at 31 December 2012 and 2011, trade receivables were neither past due nor impaired and no provision for impairment loss has been provided for trade receivables.

(b) In 2010, the toll stations of Guangshen Highway, Guangshan Highway, Guanghua Highway, Guangcong Highway Section II and Provincial Highway 355, which were Class I highways held by the Group, were surrendered to the Guangzhou ("GZ") Government with cash compensation of RMB1,313.3 million and a loss of RMB0.4 million was incurred by the Group as a result of the resumption.

As at 31 December 2012, the Group's other receivable included a remaining compensation balance due from the GZ Government of approximately RMB587.6 million (2011: RMB701.6 million) for the closure of four Class I Highways. The Group and GZ Government entered into a supplemental agreement in 2012, whereby GZ Government agreed to repay the remaining balance on or before 30 September 2013 along with the interests (based on the benchmark lending rate of the PRC banks) up to the date of payment.

As at 31 December 2012 and 2011, all other receivables and deposits were performing.

The Group and the Company do not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables as stated in the balance sheets.

The carrying amounts of trade and other receivables and deposits approximate their fair values and are mainly denominated in RMB.

24 CASH AND CASH EQUIVALENTS

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Cash at bank and in hand	**673,716**	1,094,815	**9,920**	121,466
Short-term bank deposits	**383,408**	203,661	**57,108**	185,307
	1,057,124	1,298,476	**67,028**	306,773
Maximum exposure to credit risk	**1,056,665**	1,297,616	**66,958**	306,713

Bank balances and cash are denominated in the following currencies:

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
HK dollars	**42,818**	321,955	**15,867**	159,634
US dollars	**25**	35,525	**9**	5,666
Renminbi	**1,014,281**	940,996	**51,152**	141,473
	1,057,124	1,298,476	**67,028**	306,773

25 ASSET CLASSIFIED AS HELD FOR SALE

The investment related to Guangzhou Securities Co. Ltd., which the Group currently owns 4.04% equity interest and was previously classified as available-for-sale financial asset, has been presented as held for sale following the approval by the Directors of the Company in November 2012 to sell its equity interest to Guangzhou Yuexiu Finance Holdings Limited, a related party of the Group. The transaction is conditional and is subjected to approval by the government authorities.

26 SHARE CAPITAL

	Ordinary shares of RMB0.08805 each Number of shares	RMB'000
Authorised:		
At 31 December 2011 and 2012	**2,000,000,000**	**176,100**
Issued and fully paid:		
At 31 December 2011 and 2012	**1,673,162,295**	**147,322**

27 RESERVES

Group

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Retained profits (note (c)) RMB'000	Asset revaluation reserve (note (d)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2012	2,375,743	1,501,711	491,483	59,616	43,610	2,790,833	558,250	(34,715)	7,786,531
Profit for the year	—	—	—	—	—	426,915	—	—	426,915
Increase in fair value of available-for-sale financial assets	—	—	—	—	63,396	—	—	—	63,396
Deferred tax on increase in fair value of available-for-sale financial assets	—	—	—	—	(15,848)	—	—	—	(15,848)
Setup of a subsidiary	—	5	—	—	—	—	—	—	5
Transfers	—	—	—	121	—	(121)	—	—	—
Dividends	—	—	—	—	—	(313,855)	—	—	(313,855)
– 2011 Final dividend (note 13)	—	—	—	—	—	(190,718)	—	—	(190,718)
– 2012 Interim dividend (note 13)	—	—	—	—	—	(123,137)	—	—	(123,137)
Balance at 31 December 2012	2,375,743	1,501,716	491,483	59,737	91,158	2,903,772	558,250	(34,715)	7,947,144
Representing:									
Retained profits						2,754,910			
2012 Final dividend proposed (note 13)						148,862			
						2,903,772			

27 RESERVES (Continued)

Group (Continued)

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Available-for-sale financial assets fair value reserve RMB'000	Retained profits (note (c)) RMB'000	Asset revaluation reserve (note (d)) RMB'000	Transaction with non-controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2011	2,375,743	1,501,711	580,593	58,036	50,273	2,541,656	558,250	—	7,666,262
Profit for the year	—	—	—	—	—	558,212	—	—	558,212
Currency translation differences									
– Subsidiaries	—	—	(89,110)	—	—	—	—	—	(89,110)
Decrease in fair value of available-for-sale financial assets	—	—	—	—	(8,884)	—	—	—	(8,884)
Deferred tax on decrease in fair value of available-for-sale financial assets	—	—	—	—	2,221	—	—	—	2,221
Transfers	—	—	—	1,580	—	(1,580)	—	—	—
Acquisition of additional interests in a subsidiary	—	—	—	—	—	—	—	(34,715)	(34,715)
Dividends	—	—	—	—	—	(307,455)	—	—	(307,455)
– 2010 Final dividend	—	—	—	—	—	(169,386)	—	—	(169,386)
– 2011 Interim dividend (note 13)	—	—	—	—	—	(138,069)	—	—	(138,069)
Balance at 31 December 2011	2,375,743	1,501,711	491,483	59,616	43,610	2,790,833	558,250	(34,715)	7,786,531
Representing:									
Retained profits						2,600,115			
2011 Final dividend proposed (note 13)						190,718			
						2,790,833			

(a) Capital reserve represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited, a subsidiary of the Company, as consideration of the acquisition in 1996.

(b) Statutory reserves represent enterprise expansion and general reserve funds appropriated by the operating subsidiaries, associates and a jointly controlled entity in the PRC. As stipulated by regulations in the PRC, the Company's subsidiaries, associates and a jointly controlled entity established and operated in the PRC are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors.

(c) Included in the Group's retained profits are accumulated losses of RMB15,999,000 (2011: RMB23,108,000) and retained profits of RMB442,153,000 (2011: RMB521,083,000) attributable to a jointly controlled entity and associates respectively.

(d) The asset revaluation reserve represents the fair value gain attributable to the 40% equity interest in GNSR Expressway Co., Ltd. previously held by the Group relating to the acquisition of 20% additional equity interest in GNSR Expressway Co., Ltd in 2007.

27 RESERVES (Continued)

Company

	Share premium RMB'000	Contributed surplus (note) RMB'000	Retained Profits RMB'000	Total RMB'000
At 1 January 2012	**2,375,743**	**1,561,564**	**452,671**	**4,389,978**
Profit for the year	—	—	**604,736**	**604,736**
Dividends:				
2011 Final dividend (note 13)	—	—	**(190,718)**	**(190,718)**
2012 Interim dividend (note 13)	—	—	**(123,137)**	**(123,137)**
At 31 December 2012	**2,375,743**	**1,561,564**	**743,552**	**4,680,859**
Representing:				
Retained profits			**594,690**	
2012 Final dividend proposed (note 13)			**148,862**	
			743,552	
At 1 January 2011	2,375,743	1,561,564	548,323	4,485,630
Profit for the year	—	—	211,803	211,803
Dividends:				
2010 Final dividend	—	—	(169,386)	(169,386)
2011 Interim dividend (note 13)	—	—	(138,069)	(138,069)
At 31 December 2011	2,375,743	1,561,564	452,671	4,389,978
Representing:				
Retained profits			261,953	
2011 Final dividend proposed (note 13)			190,718	
			452,671	

Note: The contributed surplus represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of Kiu Fung Limited and the value of net assets of the underlying subsidiaries acquired by the Company as at 30 November 1996. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders.

28 BORROWINGS

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Long-term bank borrowings	**6,252,414**	4,028,118	**1,189,072**	252,938
Loans from non-controlling interests of certain subsidiaries	**158,189**	293,052	—	—
Other loans	**16,880**	42,680	—	—
Total borrowings	**6,427,483**	4,363,850	**1,189,072**	252,938
Less: Amounts due within one year as shown under current liabilities	**(615,425)**	(598,186)	**(75,706)**	—
Total non-current borrowings	**5,812,058**	3,765,664	**1,113,366**	252,938

(a) As at 31 December 2012, the Group's borrowings were repayable as follows:

	Group		Company	
	31 December 2012 RMB'000	31 December 2011 RMB'000	**31 December 2012 RMB'000**	31 December 2011 RMB'000
Within one year	**615,425**	598,186	**75,706**	—
Between one to two years	**1,008,417**	341,901	**535,092**	37,941
Between two and five years	**2,199,227**	1,357,143	**578,274**	214,997
Later than five years	**2,604,414**	2,066,620	—	—
	6,427,483	4,363,850	**1,189,072**	252,938

28 BORROWINGS (Continued)

(b) Certain bank borrowings are secured by intangible operating rights of the Group (note 14). All bank borrowings are interest bearing in the range of 2.9% to 7.05% (2011: 3.20% to 7.05%). The effective interest rate of these borrowings at 31 December 2012 was 6.01% (2011: 6.28%).

(c) Loans from non-controlling interests of certain subsidiaries are unsecured and interest bearing in the range of 6.00% to 6.60% except for loans of RMB120,422,000 (2011: RMB215,052,000) which are interest-free. The carrying amounts of these interest-free loans approximate their fair values which are calculated based on cash flows discounted at a rate of 6.00%% (2011: 6.56%) per annum.

Loans from non-controlling interests of certain subsidiaries of RMB37,767,000 (2011: RMB175,676,000) are repayable within one year.

(d) The borrowings are denominated in RMB, except for a bank borrowing of RMB251,584,000 (2011: RMB252,938,000) which is denominated in USD and RMB937,488,000 (2011: nil) which are denominated in HKD.

The exposure of the Group's borrowings to interest rate changes and the contractual repricing dates at the balance sheet dates are within one year (2011: within one year).

(e) The other loan represents the short-term borrowing from a third party (2011: two parties) amounted to RMB16.9 million (2011: RMB42.7 million) which is unsecured (2011: RMB25.8 million of the other loans was secured by intangible operating rights of the Group). This borrowing is interest bearing at 6.55% (2011: in the range of 6.80% to 7.05%) per annum.

29 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The analysis of the deferred tax assets and deferred tax liabilities is as follow:

	31 December 2012 RMB'000	31 December 2011 RMB'000
Deferred tax assets:		
Deferred income tax assets to be recovered after more than 12 months	—	(8,481)
Deferred income tax assets to be recovered within 12 months	**(18,218)**	(13,223)
	(18,218)	(21,704)
Deferred tax liabilities:		
Deferred income tax liabilities to be recovered after more than 12 months	**1,500,142**	1,129,543
Deferred income tax liabilities to be recovered within 12 months	**47,221**	65,881
	1,547,363	1,195,424
Deferred tax liabilities (net)	**1,529,145**	1,173,720

The gross movement on the deferred income tax account is as follows:

	2012 RMB'000	2011 RMB'000
At 1 January	**1,173,720**	1,100,669
Acquisition of subsidiaries (note 32)	**309,394**	96,831
Exchange differences	—	(14)
Transferred to current income tax for dividends declared	**(34,678)**	(49,097)
Charged to consolidated income statement (note 10)	**64,861**	27,552
Credit to reserves (Note 27)	**15,848**	(2,221)
At 31 December	**1,529,145**	1,173,720

29 DEFERRED INCOME TAX (Continued)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred tax liabilities

	Withholding tax on undistributed profits of subsidiaries and associates RMB'000	Fair value gain on interest in toll highway arising from acquisition of subsidiaries RMB'000	Accelerated amortisation of intangible operating rights RMB'000	Available-for-sale financial assets RMB'000	Total RMB'000
At 1 January 2012	**57,042**	**948,370**	**175,475**	**14,537**	**1,195,424**
Acquisition of subsidiary	—	**321,318**	—	—	**321,318**
Charged/(credited) to consolidated income statement	**28,106**	**(24,813)**	**46,158**	—	**49,451**
Charged to reserve	—	—	—	**15,848**	**15,848**
Repayment	**(34,678)**	—	—	—	**(34,678)**
Exchange differences	—	—	—	—	—
At 31 December 2012	**50,470**	**1,244,875**	**221,633**	**30,385**	**1,547,363**
At 1 January 2011	65,352	873,559	145,000	16,758	1,100,669
Acquisition of subsidiary	—	96,831	—	—	96,831
Charged/(credited) to consolidated income statement	40,787	(22,006)	30,475	—	49,256
Charged to reserve	—	—	—	(2,221)	(2,221)
Transferred to current income tax for dividends declared	(49,097)	—	—	—	(49,097)
Exchange differences	—	(14)	—	—	(14)
At 31 December 2011	57,042	948,370	175,475	14,537	1,195,424

29 DEFERRED INCOME TAX (Continued)

Deferred tax assets

	Tax losses	
	2012	2011
	RMB'000	RMB'000
At 1 January	**(21,704)**	—
Acquisition of subsidiary	**(11,924)**	—
Credited to consolidated income statement	**15,410**	(21,704)
At 31 December	**(18,218)**	(21,704)

30 BALANCES WITH NON-CONTROLLING INTERESTS OF SUBSIDIARIES, A JOINTLY CONTROLLED ENTITY AND HOLDING COMPANIES

The amounts are unsecured, interest free, repayable on demand and denominated in RMB. Among the balance with non-controlling interests of subsidiaries, there is a consideration payable to non-controlling interest for acquiring a subsidiary of RMB106 million (2011: RMB125 million) and dividend payable to non-controlling interest of RMB95 million (2011: nil).

31 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

Group

	31 December 2012 RMB'000	31 December 2011 RMB'000
Trade payables	**65,338**	70,087
Other payables and accrued charges	**270,896**	340,305
	336,234	410,392

Company

	31 December 2012 RMB'000	31 December 2011 RMB'000
Other payables and accrued charges	**34,114**	30,383

Trade payables mainly represent construction costs payable to contractors.

The ageing analysis of trade payables is as follows:

	31 December 2012 RMB'000	31 December 2011 RMB'000
0 - 30 days	**6,615**	22,977
31 - 90 days	**604**	1,153
Over 90 days	**58,119**	45,957
	65,338	70,087

Trade and other payable and accrued charges are mainly denominated in RMB except for other payable of approximately RMB 118.9 million which was denominated in HK$ and the carrying amounts approximate their fair values.

Other payables and accrued charges mainly represent net consideration payable for acquisition of subsidiaries in 2012 of approximately RMB84.3 million (2011: nil), retention payable of approximately RMB47.9 million (2011: RMB59.2 million) and salary and bonus payable of approximately RMB30.1 million (2011: RMB26.0 million).

32 BUSINESS COMBINATIONS

(a) Business combinations in 2012

On 29 October 2011, the Group entered into an agreement with 河南瑞貝卡控股有限責任公司 (Henan Ruibeika Holdings Company Limited[1]) and 鄭有志先生(Mr. Zheng Youzhi[1]), each an independent third party to the Group, whereby the Group has conditionally agreed to acquire 100% of the equity interest in 河南瑞貝卡實業有限公司 (Henan Ruibeika Industrial Company Limited[1]) and its subsidiary, 鄢陵瑞貝卡高速公路服務有限公司 (Yanling Ruibeika Expressway Services Limited[1]) (collectively, the "acquirees"), at cash consideration of approximately RMB1,506.9 million. This transaction was completed on 28 May 2012 (the "completion date").

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid and payable (note)	1,070,430
Indebtedness assumed	436,433
	1,506,863
Fair value of net identifiable assets acquired (see below)	(1,406,682)
Goodwill (note 15)	100,181

1 For identification purpose only

Note: The cash consideration paid and payable amount is denominated in Hong Kong dollar, amounting to HK$1,317,219,000 (equivalent to RMB1,070,430,000 as of completion date on 28 May 2012).

Goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 100% equity interest of the acquirees.

32 BUSINESS COMBINATIONS (Continued)

(a) Business combinations in 2012 (Continued)

Recognised amounts of identifiable assets acquired and liabilities assumed were as follows:

	RMB'000
Cash and cash equivalents	1,196
Plant, property and equipment (note 16)	5,830
Intangible operating rights (note 14)	2,900,001
Other receivables, deposits and prepayments	493,679
Trade payables and accrued charges	(15,051)
Interest payable	(14,579)
Borrowings	(1,655,000)
Deferred income tax liabilities, net (Note 29)	(309,394)
Net identifiable assets attributable to the entire equity interest acquired by the Group	1,406,682

Based on the Group's best estimates and as disclosed in the Group's interim financial information as at 30 June 2012, the provisional purchase consideration, fair value of total net identifiable assets acquired and goodwill were approximately RMB1,495.5 million, RMB1,407.5 million and RMB88 million respectively. The purchase consideration, fair value of net identifiable assets acquired and goodwill have been adjusted to approximately RMB1,506.9 million, RMB1,406.7 million and RMB100.2 million respectively given additional information was subsequently obtained by the Group.

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	RMB'000
Cash paid	(947,751)
Cash and bank balances acquired	1,196
	(946,555)

The revenue included in the consolidated income statement since the completion date contributed by the acquirees was approximately RMB130,397,000. The acquirees also contributed profit of approximately RMB16,163,000 over the same period.

Had the acquirees been consolidated from 1 January 2012, the consolidated income statement would show pro-forma revenue of approximately RMB1,570,253,000 and profit before non-controlling interests of approximately RMB575,066,000.

32 BUSINESS COMBINATIONS (Continued)

(b) Business combinations in 2011

On 21 December 2010, the Group entered into an agreement with 湖南中和威特投資有限公司 (Hunan Zhonghe Weite Investment Company Limited[1]) and 武漢奥深科技集團有限公司 (Wuhan Aoshen Technology Group Company Limited[1]), each an independent third party to the Group, whereby the Group has conditionally agreed to acquire 90% of the equity interest in 湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Limited[1]) at cash consideration of approximately RMB925.3 million. This transaction was completed on 27 June 2011.

Details of the net assets acquired and goodwill are as follows:

	RMB'000
Purchase consideration:	
Cash paid and payable	925,330
Fair value of net identifiable assets acquired (see below)	(915,902)
Goodwill (note 15)	9,428

Goodwill is mainly attributable to the recognition of deferred tax liabilities on fair value gain arising from the acquisition of 90% equity interest in 湖南長株高速公路開發有限責任公司 (Hunan Changzhu Expressway Development Company Limited[1]).

1 For identification purpose only

Recognised amounts of identifiable assets acquired and liabilities assumed were as follows:

	RMB'000
Cash and cash equivalents	5,049
Property, plant and equipment (note 16)	1,588
Intangible operating rights (note 14)	3,083,366
Other receivables, deposits and prepayments	103,660
Trade payables and accrued charges	(249,547)
Amount due to a non-controlling interest	(46,742)
Interest payable	(10,874)
Borrowings	(1,772,000)
Deferred income tax liabilities (note 29)	(96,831)
Total net identifiable assets acquired	1,017,669
Non-controlling interests	(101,767)
Net identifiable assets attributable to the 90% equity interest acquired by the Group	915,902

32 BUSINESS COMBINATIONS (Continued)

(b) Business combinations in 2011 (Continued)

Analysis of net outflow of cash and cash equivalents in respect of acquisition of a subsidiary:

	RMB'000
Cash paid	(800,787)
Cash and bank balances acquired	5,049
	(795,738)

33 NOTE TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

Reconciliation of operating profit to cash generated from operations:

	Note	2012 RMB'000	2011 RMB'000
Operating profit		**891,444**	822,277
Amortisation of intangible operating rights	14	**256,291**	229,776
Depreciation of property, plant and equipment	16	**22,613**	20,793
Fair value gains on investment properties	17	**(5,283)**	(1,675)
Impairment loss on goodwill	15	—	3,685
Fair value loss on derivative financial instrument		**3,481**	5,659
Exchange gain – net		**(7,878)**	(90,432)
(Profit)/loss on disposal of property, plant and equipment		**(47)**	295
Provision for business tax written back		**(72,230)**	—
Operating profit before working capital changes		**1,088,391**	990,378
Changes in working capital:			
– trade and other receivables, deposits and prepayments		**18,359**	104,194
– trade and other payables and accrued charges		**(91,781)**	(40,561)
– (decrease)/increase in amounts due to non-controlling interests of subsidiaries		**(48,598)**	23,871
– amounts due to holding companies		**11**	4
Cash generated from operations		**966,382**	1,077,886

34 CONSTRUCTION INCOME/COST UNDER SERVICE CONCESSION UPGRADE SERVICES

The construction income/cost associated with the construction and upgrade services provided under the service concessions recognised for the year are as follows:

	2012 RMB'000	2011 RMB'000
Construction income under service concession upgrade services (note 14)	**64,768**	310,871
Construction cost under service concession upgrade services	**(64,768)**	(310,871)

35 COMMITMENTS

(a) Lease commitment

The Group's future aggregate minimum lease payments/receipts under non-cancellable operating leases of premises are as follows:

	2012 RMB'000	2011 RMB'000
Lease payments		
Not later than one year	**7,253**	530
Later than one year and not later than five years	**7,002**	530
	14,255	1,060
Lease receipts		
Not later than one year	**101**	362
Later than one year and not later than five years	—	103
	101	465

The Company had no lease commitments at 31 December 2012 and 2011.

35 COMMITMENTS (Continued)

(b) Capital commitment

The Group's capital commitments are as follows:

	As at	
	31 December 2012 RMB'000	31 December 2011 RMB'000
Authorised but not contracted for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	**92,206**	180,332
Property, plant and equipment	**6,349**	201
	98,555	180,533
Contracted but not provided for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	**137,944**	224,186
Property, plant and equipment	**692**	1,104
	138,636	225,290

36 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard 廣州越秀集團有限公司 (Guangzhou Yue Xiu Holdings Limited) (incorporated in the PRC) as its ultimate holding company and the GZ Government as its ultimate controlling party.

Related parties are those parties which have the ability, directly or indirectly, to control the other party or exercise significant influence over the other party in making financial and operating decisions. Parties are also considered to be related if they are subject to common control or common significant influence. The table set forth below summarises the names of related parties, with whom the Group has significant transaction during the year, and their relationship with the Company as at 31 December 2012:

Significant related party	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A wholly-owned subsidiary of ultimate holding company
Yuexiu Property Company Limited ("Yuexiu Property")	An associate of ultimate holding company
Blow Light Investments Limited	A fellow subsidiary
GWSR Expressway Co., Ltd.	A jointly controlled entity of a subsidiary
Guangdong Humen Bridge Co., Ltd.	An associate of a subsidiary
Guangdong Qinglian Highway Development Co., Ltd.	An associate of a subsidiary
Guangdong Shantou Bay Bridge Co., Ltd.	An associate of a subsidiary
Guangzhou Northring Freeway Co., Ltd.	An associate of a subsidiary
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd.	An indirect associate of ultimate holding company until 8 October 2012

(b) Transactions with related parties

		2012 RMB'000	2011 RMB'000
(i)	Administrative service fees paid to Yuexiu Property	**1,058**	1,086
(ii)	Interest expense paid to non-controlling interest of subsidiaries	**2,377**	2,421
(iii)	Rental expenses paid to a fellow subsidiary	**532**	448
(iv)	Rental expenses paid to a related company	**5,487**	—
		9,454	3,955

36 RELATED PARTY TRANSACTIONS (Continued)

(c) Key management compensation

	2012 RMB'000	2011 RMB'000
Salaries and other short-term benefits	**10,946**	14,313

(d) Disposal of an investment (Note 25)

37 GROUP STRUCTURE

As at 31 December 2012, the Company held shares/interest in the following principal subsidiaries, a jointly controlled entity and associates.

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US$1 each	—	100	Investment holding in Guangzhou Northring Freeway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Northern Second Ring Expressway Co., Limited
Choice Tone Limited	Hong Kong	1 Ordinary share of HK$1.00 each	—	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd.
Fortune Success Group Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Tailong Highways Development Company Limited
Frame Bridge Enterprises Ltd.	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share of HK$1.00 each	—	100	Investment holding in Guangxi Yuexiu Cangyu Expressway Co., Ltd.
Guangzhou Nanxin Highways Development Company Limited	PRC, limited liability company	RMB141,463,000	—	80	Development and management of Guangshen Highway linking Guangzhou and Shenzhen (note a)

37 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Guangzhou Northern Second Ring Expressway Co., Ltd.	PRC, limited liability company	RMB900,000,000	—	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	PRC, limited liability company	RMB1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Tailong Highways Development Company Limited	PRC, limited liability company	RMB116,667,000	—	90	Development and management of Guangcong Highway Section II Linking Guangzhou and Conghua and Provincial Highway 355 linking Conghua and Longtan (note a)
Guangzhou Weian Highways Development Company Limited	PRC, limited liability company	RMB175,750,000	—	80	Development and management of Guangshan Highway linking Guangzhou and Shantou (note a)
Guangzhou Xinguang Highways Development Company Limited	PRC, limited liability company	RMB143,333,000	—	90	Development and management of Guanghua Highway linking Guangzhou and Huadu (note a)
Guangzhou Yue Peng Information Ltd.	PRC, limited liability company	RMB260,000,000	—	100	Investment holding

37 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Percentage of attributable interest held by the Company Indirect	Principal activities
Guangxi Yuexiu Cangyu Expressway Co., Ltd.	PRC, limited liability company	RMB190,925,000	—	100	Development and management of Cangyu Expressway in Guangxi
Henan Ruibeika Industral Company Limited (note b)	PRC, limited liability company	RMB495,000,000	—	100	Development and management of Henan Weixu Expressway
Hunan Yue Tung Highway and Bridge Development Company Limited	PRC, limited liability company	RMB21,000,000	—	75	Development and management of Xiang Jiang Bridge II in Hunan Province (note 22)
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability company	RMB929,328,460	—	90	Development and management of Changzhu Expressway in Hunan Province
Ickleton Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Taihe Highways Development Company Limited
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Kinleader Co., Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HK$1 each	100	—	Investment holding
Onwell Enterprises Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Guangdong Qinglian Highway Development Co., Ltd.
Pioneer Business Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Profit Optima Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Shaanxi Jinxiu Transport Co., Limited	PRC, limited liability company	RMB100,000,000	—	100	Development and management of Xian-Lintong Expressway in Shaanxi Province

37 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares of HK$1 each	—	100	Property holding
Sparco Development Limited	British Virgin Islands	100 Ordinary shares of US$1 each	—	100	Investment holding in Shaanxi Jinxiu Transport Co., Limited
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangdong Shantou Bay Bridge Co., Ltd.
Superfield Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Nanxin Highways Development Company Limited
Swift Full Limited	Hong Kong	1 Ordinary share of HK$1.00 each	—	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited
Teckstar Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Weian Highways Development Company Limited
Top Global Holdings Ltd.	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding in Guangzhou Xinguang Highways Development Company Limited
Unionwin Investment Limited	British Virgin Islands	1 Ordinary share of US$1	—	100	Investment holding
Unique Wealth Investment Ltd	British Virgin Islands	1 Ordinary share of US$1.00 each	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US$1 each	—	83.3	Investment holding in Hunan Yue Tung Highway and Bridge Development Company Limited

37 GROUP STRUCTURE (Continued)

Principal subsidiaries	Place of incorporation, establishment and operation and kind of legal entity	Issued and fully paid up share capital/registered capital	Percentage of attributable interest held by the Company		Principal activities
			Direct	Indirect	
Tianjin Jinfu Expressway Co., Ltd.	PRC, limited liability company	RMB265,200,000	—	60 (note c)	Development and management of Jinbao Expressway in Tianjin
Wuzhou Yue Xin Chishui Terminal Co., Ltd.	PRC, limited liability company	RMB171,000,000	—	51	Development and management of Wuzhou Port in Guangxi
Hubei Han Xiao Highway Construction and Operations Company Limited	PRC, limited liability company	RMB450,367,000	—	90	Development and management of Hubei Han-Xiao Expressway
Guangzhou Yue Tong Expressway Operations and Management Company Limited	PRC, limited liability company	RMB1,000,000	100	—	Investment holding
Yuexiu (China) Transport Infrastructure Investment Company Limited	PRC, limited liability company	RMB1,900,000,000	100	—	Investment holding

Jointly controlled entity	Place of incorporation/ establishment and operation and kind of legal entity	Registered capital	Percentage of Interest in ownership/ voting power/profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Guangzhou Western Second Ring Expressway Co., Ltd.	PRC, limited liability company	RMB1,000,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

37 GROUP STRUCTURE (Continued)

Associates	Place of incorporation, establishment and operation and kind of legal entity	Registered capital	Percentage of attributable interest held by the Company Direct	Indirect	Principal activities
Guangdong Humen Bridge Co., Ltd.	PRC, limited liability company	RMB273,900,000	—	27.78 (note d)	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Co., Ltd.	PRC, limited liability company	RMB3,105,959,997	—	23.63	Development and management of Qinglin Expressway and National Highway 107 linking Qingyuan and Lianzhou
Guangdong Shantou Bay Bridge Co., Ltd.	PRC, limited liability company	RMB75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Freeway Co., Ltd.	PRC, limited liability company	US$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road

Note:

(a) Operation ceased on 31 October 2010.

(b) Newly acquired in 2012.

(c) The profit sharing ratio is 90% up to 2012, 40% from 2013 to 2015 and 60% from 2016 onwards.

(d) The profit sharing ratio is 27.78% up to 2009 and 18.446% from 2010 onwards.

38 COMPARATIVE FIGURES

The Group has revised the classification of interest paid in the consolidated statement of cash flows. The Group previously reported interest paid as cash flows for operating activities in the consolidated statement of cash flows. From the beginning of the year the Directors have changed the presentation and classify interest paid as cash flows from financing activities. The Directors of the Company believe that the new presentation gives more relevant information as it follows normal industry practises and enhances comparability. The comparative figures have been reclassified to conform with the current year presentation. There is no impact on net profit, net assets or net cash flows as a result of the reclassification.

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Zhang Zhaoxing *(Chairman)*
Mr Liang Youpan
Mr Li Xinmin
Mr Liang Ningguang
Mr Wang Shuhui
Mr Qian Shangning

Independent non-executive directors & audit committee members

Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

COMPANY SECRETARY

Mr Yu Tat Fung

QUALIFIED ACCOUNTANT

Ms Chan Kam Ting Sharon

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants

HONG KONG LEGAL ADVISER

Minter Ellison

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HONG KONG BRANCH SHARE REGISTRAR

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Hong Kong

SHARE LISTING

The Company's shares are listed on
The Stock Exchange of Hong Kong Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited-1052
Reuters-1052.HK
Bloomberg-1052 HK

INVESTOR RELATIONS

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WEBSITES TO ACCESS COMPANY INFORMATION

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http://www.irasia.com/listco/hk/yuexiutransport
http://www.hkexnews.hk