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越秀交通基建有限公司

Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

(Stock code: 01052)

2011 Annual Results Announcement

Highlights of Results

- Operating revenue reached a new record high at RMB1.322 billion.
- Significant growth of projects in the Central and Western regions: double-digit growth in toll revenue at Cangyu Expressway, Han-Xiao Expressway and Xian Expressway.
- New acquisition: signed the 100% equity transfer contract acquiring Henan Weixu Expressway at the end of October 2011 (Completion is expected in 2012), which is already profitable (Please refer to the Circular announced on 28 November 2011). The acquisition is expected to deliver an IRR of 14.78% to the Group.
- M&A activities have accelerated since 2009, resulting in an increase in total number of subsidiaries from 2 to 8 across 7 provinces (cities) in China. The objective of “doubling total assets in three years” has been achieved. As a result, the return on equity (ROE) of the Group had steadily risen from 5.02% in 2009 to 7.04% at the end of the Reporting Year.
- Optimization of asset structure has been realized: by exiting from the operation of Class 1 Highways at the end of October 2010, our assets are consisted of expressways only.

Future Strategies

- By seeking opportunities in the Central and Western Regions, which enjoys rapid economic growth as fully supported by the central government and industrial migration, the Group will continue to focus on the M&A of expressways with attractive yield.
- Strictly applying the principle of standardization to project management.
- Through the acquisition of assets with attractive yield, to optimize the asset structure and improve the return on equity (ROE)

Summary of Results

• Toll revenue	RMB1.322 billion (+5.5%)
• Gross profit of toll operation	RMB886.5 million (+14.9%)
• Gross margin of toll operation	67.1% (+5.5 percentage point)
• Profit attributable to shareholders of the Company	RMB558.2 million (+4.4%)
• Basic earnings per share	RMB0.3336 (+4.4%)
• Total assets	RMB16.15 billion (+16.6%)
• Equity attributable to shareholders of the Company	RMB7.9 billion (+1.5%)

Chairman's Statement

On behalf of the Board, I am pleased to present the annual results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2011 (the "Reporting Year").

OPERATING RESULTS AND DIVIDEND

During the Reporting Year, the Group has completed the acquisition of Changzhu Expressway which has been consolidated since the end of June 2011. The operating data showed the strong growth in its toll revenue. Also, the Hanxiao Expressway would have a further increase in its traffic volume and toll revenue since the opening of Airport Northern Extension which took place on 18th November 2011.

Driven by a sharp increase in traffic volume at the projects in the Central and Western provinces, toll revenue in the Reporting Year increased by 5.5 percent to RMB1,322.0 million as compared to 2010, which set another record high for the Group. Profit attributable to shareholders of the Company amounted to RMB558.2 million, up by 4.4 percent from 2010.

The Board has recommended the payment of a final dividend for 2011 of HK\$0.14 which is equivalent to approximately RMB0.1139866 (2010: HK\$0.12 which was equivalent to approximately RMB0.101237) per share. Together with the paid interim dividend of HK\$0.10 which is equivalent to approximately RMB0.0825196, total dividend for the Reporting Year amounts to HK\$0.24 which is equivalent to approximately RMB0.1965062, representing a dividend payout ratio of 58.9 percent (2010: 58.4 percent).

ANNUAL REVIEW AND PROSPECTS

Review: Successfully doubling assets over three years with favorable traffic volume growth in projects in the Central and Western provinces.

Macro-economic factors

During the Reporting Year, the international economic environment was complicated and full of uncertainties due to the deepening debt crisis in Europe and U.S. sovereign credit downgrade. Facing such an international situation, the Chinese government strengthened macro-economic policies including the implementation of an aggressive fiscal policy and a prudent monetary policy to secure stable and rapid development of the overall economy. In 2011, the PRC realized GDP of RMB47.2 trillion, representing an increase of 9.2 percent on a Y-O-Y basis.

Policy in toll road sector

On 14 June 2011, the five central government regulators led by Ministry of Transportation, National Development and Reform Commission, Ministry of Finance etc, jointly issued an official document (hereinafter referred to as the ‘Five Ministries Notice’), calling for an one-year nationwide clean-up campaign on toll road sector which targets on irregularities. According to the results published by several provinces as to 31st December 2011, subsidiaries of the Group are complied with relevant laws and regulations. Thus no substantial impact by the ‘Five Ministries Notice’ was seen on the Group and we expect the pressure on toll road sector will ease.

“Doubling Assets over Three Years” substantially completed to further optimize the asset structure

Since 2009, the Group has accelerated its investment and acquisition, through reasonably enhancing its financial leverage, of quality expressway projects such as Cangyu Expressway, Jinbao Expressway, Han-Xiao Expressway, Changzhu Expressway and Weixu Expressway (the latter project’s completion pending regulatory approval). As a result, the strategic objective of “Doubling Assets over Three Years” formulated in early 2009 was substantially achieved. The overall return on equity (ROE) of the Group went up to 7.04 percent from 5.02 percent from 2009.

On 30 October 2010, the Group successfully exited from Class 1 highways in Guangzhou, thus further enhancing and optimizing the Group’s asset structure and quality in general.

Rapid growth of traffic volume and toll revenue in projects in central and western provinces

Benefiting from the strong support by national government in recent years, the Central and Western provinces in China witnessed rapid economic development. The Group has been seeking investment opportunities in the above provinces while fulfilling its strategic plan of “Doubling total assets in three years”.

During the Reporting Year, with the rise in raw material prices and labor costs in the Eastern coastal areas, labor-intensive processing industries shifted towards China’s Central and Western provinces, which also further led to the freight transport growth for these provinces. During the Reporting Year, Cangyu Expressway, Han-Xiao Expressway and Xian Expressway of the Group achieved double-digit growth in both traffic volume and toll revenue.

During the Reporting Year, the economic growth and export trade growth in the Eastern coastal areas and the Pearl River Delta (PRD) region both slowed down, thereby affecting the freight growth. Meanwhile, significant growth of small cars volumes also led by sharp increase in car ownership due to the stimulation of the preferential policy of “half purchasing tax for small sized cars” since 2009. Under the influence of the two factors above, toll revenue growth of intra-provincial projects such as Guangzhou Northern Ring Road, GWSR Expressway and Humen Bridge relatively slowed down, but the growth of relevant traffic volume was generally higher than that of toll revenue.

Investment and acquisition during the Reporting Year

During the Reporting Year, the Group successfully acquired 51 percent equity interest of Guangxi Wuzhou Port the remaining 10 percent equity interest of Guangxi Cangyu Expressway (to the effect of wholly controlling the project), and signed a 100 percent equity transfer contract of Weixu Expressway. The latter project was profitable since the year of signing of the equity transfer contract with an internal rate of return (IRR) up to 14.78 percent as described in the valuation report prepared by an independent valuer. This acquisition is expected to be completed in 2012 and it would be a new source of profit growth for the Group. The overall assets size and profitability of the Group would be further enhanced.

Future Prospects

Macro-economy

In the 2012 Economic Work Conference, the Central government emphasized that it would maintain the continuity and stability of macroeconomic policies, with the continuous implementation of an aggressive fiscal policy and a prudent monetary policy. It is expected that China's overall macro-economy will continue to achieve steady growth under "Economic Structure Adjustment" and "Managing Inflation Expectations".

Policy in toll road sector

The first phase of investigation on toll roads in accordance with the Five Ministries' Notice completed by the end of the Reporting Year. The investigation results of various provinces in general revealed issues of high debt ratio and serious financial pressure on the toll road sector, so there would be low profitability for substantial cut on toll rate as expected. Currently, while various provinces successively released their toll road rectification plans, the investment projects of the Group basically had not been implicated. The Guangdong provincial government issued the rectification plans in Guangdong Province on 8 January 2012, which required to unify the provincial toll rate, strictly implement the charge coefficient standard for Class 1 to 5 vehicles. Also the plans call for adjustments on toll mileage under specific requirements. The expressways in Guangdong invested by the Group all have such toll rates or charge coefficients in compliance with the related provisions of the plans, while specific project would have some minor adjustments on its toll mileage accordingly with insignificant impact in general.

We expect the introduction of the two policies possibly in Guangdong province in the future, namely traffic control on non-local trucks to use the first ring road of Guangzhou City and the implementation of toll-by-weight policy in the province. These two policies are expected to promote significantly the increase of toll revenue on both GNSR Expressway and GWSR Expressway invested by the Group.

Prospects on our projects

Under the anticipation of sustainable and rapid economic growth for China's Central and Western provinces, the revenue and profit contribution by expressway projects such as Han-Xiao Expressway, Changzhu Expressway, Weixu Expressway (the latter pending approval) will gradually increase. Projects inside the Guangdong province, e.g. GNSR Expressway, Humen Bridge, Guangzhou Northern Ring Expressway, Shantou Bay Bridge etc., are relatively developed and will remain the main source of stable profit for the Group.

Future M&A

In the future, the Group will remain focused on investment in and operation of quality expressway projects, and pay close attention to investment opportunities in the following regions: (1) the Pearl River Delta region with a higher maturity of economic development; (2) Central and Western provinces in China, which have enjoyed economic development over recent years, is benefiting from the policy support of the Central government as well as industry shift from the eastern coastal areas.

The Group is still optimistic about investment opportunities on transport infrastructures in the mainland China, and will take full use of advantages of the financing platforms in both Hong Kong and Mainland China, and internal and external resources to reasonably and modestly improve the financial leverage for opportunities to acquire quality projects so as to optimize the Group's overall assets structure, profitability and return on equity.

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. 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, 21 March 2012

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2011

	<i>Note</i>	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Revenue	2	1,321,997	1,252,665
Cost of services	4	(435,478)	(480,893)
Construction income under service concession upgrade services		310,871	94,747
Construction cost under service concession upgrade services		(310,871)	(94,747)
Other income	3	2,649	22,687
Other gains - net	3	93,180	27,333
General and administrative expenses	4	(160,071)	(138,889)
Loss for the year of disposal group		—	(3,179)
Operating profit		822,277	679,724
Finance income	5	22,190	25,419
Finance costs	5	(161,284)	(60,183)
Share of result of a jointly controlled entity		17,298	17,047
Share of results of associates		158,797	186,048
Profit before income tax		859,278	848,055
Income tax expense	6	(134,217)	(146,319)
Profit for the year		<u>725,061</u>	<u>701,736</u>
Attributable to:			
Shareholders of the Company		558,212	534,544
Non-controlling interests		166,849	167,192
		<u>725,061</u>	<u>701,736</u>
Earnings per share for profit attributable to the shareholders of the Company		<i>RMB</i> <i>per share</i>	<i>RMB</i> <i>per share</i>
Basic and diluted	7	<u>0.3336</u>	<u>0.3195</u>
		<i>RMB'000</i>	<i>RMB'000</i>
Dividends	8	<u>328,787</u>	<u>312,070</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2011

	2011	2010
	RMB'000	<i>RMB'000</i>
Profit for the year	725,061	701,736
Other comprehensive income		
Fair value (loss) / gain on available-for-sale financial assets, net of tax	(6,663)	875
Currency translation differences	<u>(89,110)</u>	<u>(22,226)</u>
Total comprehensive income for the year	<u>629,288</u>	<u>680,385</u>
Total comprehensive income attributable to:		
Shareholders of the Company	462,439	513,193
Non-controlling interests	<u>166,849</u>	<u>167,192</u>
	<u>629,288</u>	<u>680,385</u>

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2011

	<i>Note</i>	31 December 2011 RMB'000	31 December 2010 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights		10,904,496	7,740,035
Goodwill		308,095	302,352
Property, plant and equipment		537,433	89,484
Investment properties		11,593	9,918
Investment in a jointly controlled entity		324,436	307,138
Investment in associates		1,639,791	1,775,178
Available-for-sale financial asset		138,939	147,823
Derivative financial instrument		3,481	9,140
Other non-current receivables	9	<u>141,998</u>	<u>151,137</u>
		<u>14,010,262</u>	<u>10,532,205</u>
Current assets			
Trade receivables	10	20,963	19,789
Other receivables, deposits and prepayments	10	817,702	1,154,101
Amount due from a non-controlling interest of a subsidiary		—	24,942
Cash and cash equivalents		<u>1,298,476</u>	<u>2,111,929</u>
		<u>2,137,141</u>	<u>3,310,761</u>
Total assets		<u>16,147,403</u>	<u>13,842,966</u>

	<i>Note</i>	31 December 2011 RMB'000	31 December 2010 RMB'000
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves			
Others		7,595,813	7,496,876
Proposed final dividend		<u>190,718</u>	<u>169,386</u>
		7,933,853	7,813,584
Non-controlling interests		<u>2,025,553</u>	<u>1,873,234</u>
Total equity		<u>9,959,406</u>	<u>9,686,818</u>
LIABILITIES			
Non-current liabilities			
Borrowings		3,765,664	1,472,362
Deferred income tax liabilities		<u>1,173,720</u>	<u>1,100,669</u>
		<u>4,939,384</u>	<u>2,573,031</u>
Current liabilities			
Borrowings due within one year		598,186	582,560
Amounts due to non-controlling interests of subsidiaries		183,211	773,364
Amounts due to holding companies		228	224
Amount due to a jointly controlled entity		17,500	—
Trade and other payables and accrued charges	11	410,392	187,477
Current income tax liabilities		<u>39,096</u>	<u>39,492</u>
		<u>1,248,613</u>	<u>1,583,117</u>
Total liabilities		<u>6,187,997</u>	<u>4,156,148</u>
Total equity and liabilities		<u>16,147,403</u>	<u>13,842,966</u>
Net current assets		<u>888,528</u>	<u>1,727,644</u>
Total assets less current liabilities		<u>14,898,790</u>	<u>12,259,849</u>

Notes:

1 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.

New/revised standards and amendments

The following revised standard and amendments to standards relevant to its operations are mandatory for adoption for the financial year beginning 1 January 2011 for the Group.

HKAS 24 (revised)	Related Parties Disclosures
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HKICPA’s annual improvements to certain HKFRS published in May 2010

HKAS 1 (amendment)	Presentation of Financial Statements
HKAS 27 (amendment)	Consolidated and Separate Financial Statements
HKAS 34 (amendment)	Interim Financial Reporting
HKFRS 3 (amendment)	Business Combinations
HKFRS 7 (amendment)	Financial Instruments: Disclosures

The adoption of these revised standard and 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.

The following new standards and amendments to standards relevant to its operations have been issued but are not effective for the financial year beginning 1 January 2011 and have not been early adopted:

		Effective for accounting periods beginning on or after
HKAS 12 (amendment)	Deferred Tax: Recovery of Underlying Assets	1 January 2012
HKFRS 7 (amendment)	Financial Instruments: Disclosures - Offsetting Financial Assets and Liabilities	1 January 2013
HKAS 32 (amendment)	Financial Instruments: Presentation - Offsetting Financial Assets and Liabilities	1 January 2014
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
HKFRS 9	Financial Instruments	1 January 2015
HKFRS 10	Consolidated Financial Statements	1 January 2013
HKFRS 11	Joint Arrangements	1 January 2013
HKFRS 12	Disclosure of Interests in Other Entities	1 January 2013
HKFRS 13	Fair Value Measurement	1 January 2013

Management is in the process of making an assessment of the impact of these new 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 Revenues and segment information

The Group is principally engaged in the operation and management of toll highways and bridges in the PRC. Revenue recognised during the year is as follows:

The chief operating decision-maker has been identified as the Board of Directors. The Board of Directors reviews 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 Board of Directors assesses 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 being carried out between segments. None of these operations constitutes a separate segment.

Business segment	Toll roads operations <i>RMB'000</i>	Port and all other segments <i>RMB'000</i>	Total <i>RMB'000</i>
31 December 2011			
Revenue (from external customers)	<u>1,321,997</u>	<u>—</u>	<u>1,321,997</u>
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	<u>158,797</u>	<u>—</u>	<u>158,797</u>
Profit before income tax	857,565	1,713	859,278
Income tax expenses	<u>(133,839)</u>	<u>(378)</u>	<u>(134,217)</u>
Profit for the year	<u>723,726</u>	<u>1,335</u>	<u>725,061</u>
31 December 2010			
Revenue (from external customers)	<u>1,252,665</u>	<u>—</u>	<u>1,252,665</u>
Operating profit	657,034	22,690	679,724
Finance income	25,419	—	25,419
Finance costs	(60,183)	—	(60,183)
Share of result of a jointly controlled entity	17,047	—	17,047
Share of results of associates	<u>186,048</u>	<u>—</u>	<u>186,048</u>
Profit before income tax	825,365	22,690	848,055
Income tax expenses	<u>(146,072)</u>	<u>(247)</u>	<u>(146,319)</u>
Profit for the year	<u>679,293</u>	<u>22,443</u>	<u>701,736</u>

	Toll roads operations	Port and all other segments	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Assets and liabilities			
As at 31 December 2011			
Total segment assets	15,503,947	643,456	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	5,873,365	314,632	6,187,997
Total segment liabilities include:			
Amount due to a jointly controlled entity	<u>17,500</u>	<u>—</u>	<u>17,500</u>
As at 31 December 2010			
Total segment assets	13,676,888	166,078	13,842,966
Total segment assets include:			
Investment in a jointly controlled entity	307,138	—	307,138
Investments in associates	1,775,178	—	1,775,178
Total segment liabilities	<u>4,127,307</u>	<u>28,841</u>	<u>4,156,148</u>

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.

3 Other income and other gains - net

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Other income		
Dividend income from available-for-sale financial assets	—	21,600
Others	<u>2,649</u>	<u>1,087</u>
	<u>2,649</u>	<u>22,687</u>
Other gains - net		
Fair value gain on investment properties	1,675	1,362
Fair value loss on derivative financial instrument	(5,659)	—
Exchange gain/(loss) - net (note)	90,432	(27,373)
Waiver of amounts due to non-controlling interests of subsidiaries	—	8,649
Loss on Compensation Arrangement (note 10(b))	—	(400)
Gain on disposal of a subsidiary	—	38,184
Loss on disposal of property, plant and equipment	(295)	(143)
Others	<u>7,027</u>	<u>7,054</u>
	<u>93,180</u>	<u>27,333</u>

Note: In 2011, certain subsidiaries of the Group repaid their shareholder's loans subsequent to their surrender of toll stations to the GZ Government (note 10(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.

4 Expenses by nature

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

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Business tax	45,699	41,911
Amortisation of intangible operating rights	229,776	228,521
Impairment losses on goodwill	3,685	4,557
Depreciation of property, plant and equipment	20,793	12,386
Toll highways and bridges maintenance expenses	39,681	109,618
Toll highways and bridges operating expenses	37,584	34,969
Staff costs (including Directors' emoluments) (note)		
- Wages and salaries	113,790	93,512
- Pension costs (defined contribution plan)	11,084	7,588
- Social security costs	10,198	10,282
- Staff welfare and other benefits	28,399	44,505
Auditor's remuneration		
- Audit services	2,127	2,005
- Non-audit services	2,644	397
Legal and professional fee	6,960	5,627
Transportation expenses	8,359	5,391
Entertainment expenses	6,003	3,412
Others	<u>28,767</u>	<u>15,101</u>
Total cost of services and general and administrative expenses	<u><u>595,549</u></u>	<u><u>619,782</u></u>

5 Finance income/costs

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Bank interest income	13,014	15,124
Interest income on other non-current receivables	9,176	9,566
Interest income on a loan to an associate	<u>—</u>	<u>729</u>
Finance income	<u>22,190</u>	<u>25,419</u>
Interest expenses:		
- Bank borrowings	(175,183)	(58,384)
- Loans from non-controlling interests of certain subsidiaries	(14,658)	(14,036)
- Fair value adjustment on non-interest bearing loans from non-controlling interests of certain subsidiaries	14,107	12,237
- Other loans	<u>(1,252)</u>	<u>—</u>
	(176,986)	(60,183)
Less: amount capitalized in construction in progress	<u>15,702</u>	<u>—</u>
Finance costs incurred	<u>(161,284)</u>	<u>(60,183)</u>

The capitalization rate used to determine the amounts of borrowing costs eligible for capitalization is 6.59% for the year.

6 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 (2010: Nil).
- (b) During the year ended 31 December 2011, 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 2011 is 24% (2010: 22%). The effective tax rate is relatively lower than the applicable principal income tax rate which primarily due to the fact that a subsidiary (Guangzhou Northern Second Ring Expressway Company Limited) of the Group enjoyed a preferential rate of 12% in 2011 (2010: 11%) (note (a)).

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% (2010: 5% or 10%).

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

	2011	2010
	<i>RMB’000</i>	<i>RMB’000</i>
Current income tax		
PRC enterprise income tax		
- current year	106,166	103,542
- under-provision in prior years	499	289
Deferred income tax	<u>27,552</u>	<u>42,488</u>
	<u>134,217</u>	<u>146,319</u>

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:

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Profit before income tax	859,278	848,055
Less: share of results of associates	(158,797)	(186,048)
Less: share of result of a jointly controlled entity	(17,298)	(17,047)
	<u>683,183</u>	<u>644,960</u>
Calculated at a tax rate of 24% (2010: 22%)	163,964	141,891
Income not subject to tax	(24,946)	(25,682)
Expenses not deductible for tax purposes	18,381	26,765
Profit of a subsidiary with preferential tax treatment (note (a))	(55,668)	(52,560)
Unrecognised temporary differences	378	247
Recognition of previously unrecognised temporary differences	(8,686)	—
Tax loss not recognised (note (b))	21,212	13,823
Utilisation of previously unrecognised tax losses	(21,704)	—
Under-provision in prior year	499	289
Withholding tax on undistributed profits of subsidiaries and associates	<u>40,787</u>	<u>41,546</u>
Income tax expense	<u>134,217</u>	<u>146,319</u>

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 is subject to a preferential rate of 12% (2010: 11%).
- (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 RMB120,818,000 (2010: RMB69,437,000) in respect of unused losses amounting to RMB483,273,000 (2010: RMB277,749,000) that can be carried forward for offsetting against future taxable income. Unused tax losses will expire in 2016.

7 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.

	2011	2010
Profit attributable to shareholders of the Company (RMB'000)	558,212	534,544
Weighted average number of ordinary shares in issue ('000)	1,673,162	1,673,162
Basic and diluted earnings per share (RMB)	<u>0.3336</u>	<u>0.3195</u>

The diluted earnings per share for the year ended 31 December 2011 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year.

8 Dividends

Company

	2011	2010
	<i>RMB'000</i>	<i>RMB'000</i>
Interim, paid, of HK\$0.10 equivalent to RMB0.0825196 (2010: HK\$0.10 equivalent to RMB0.085278) per share	138,069	142,684
Final, proposed, of HK\$0.14 equivalent to RMB0.1139866 (2010: HK\$0.12 equivalent to RMB0.101237) per share	<u>190,718</u>	<u>169,386</u>
	<u>328,787</u>	<u>312,070</u>

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

9 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 2011, the total remaining balance of the consideration receivable is RMB151.1 million (2010: RMB158.7 million) which will be settled by 20 half yearly installments until the end of concessionary period, i.e. 30 November 2021. RMB 142.0 million (2010: RMB151.1 million) will be received after 2012 according to the receipt schedule.

10 Trade and other receivables, deposits and prepayments

Group

	31 December 2011 RMB'000	31 December 2010 RMB'000
Trade receivables (note a)	20,963	19,789
Other receivables, deposits and prepayments (note b)	<u>817,702</u>	<u>1,154,101</u>
	<u>838,665</u>	<u>1,173,890</u>

Note:

- (a) As at 31 December 2011, trade receivables were all aged below 30 days (2010: 30 days).

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

As at 31 December 2011 and 2010, 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 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 arrangement.

As at 31 December 2011, the Group's other receivable included a remaining compensation balance due from the GZ Government of RMB701.6 million (2010: RMB1,059.3 million) for its closure of four Class I Highways. Before 31 December 2011, 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 2012 along with the interests (based on bank's benchmark lending rate) during the period between 1 January 2012 and the date of payment.

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.

11 Trade and other payable and accrued charges

Group

	31 December 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
Trade payables	70,087	49,732
Other payables and accrued charges	<u>340,305</u>	<u>137,745</u>
	<u><u>410,392</u></u>	<u><u>187,477</u></u>

Trade payables mainly represent construction costs payable to contractors.

The ageing analysis of trade payables is as follows:

	31 December 2011 <i>RMB'000</i>	31 December 2010 <i>RMB'000</i>
0 - 30 days	22,977	4,675
31 - 90 days	1,153	1,027
Over 90 days	<u>45,957</u>	<u>44,030</u>
	<u><u>70,087</u></u>	<u><u>49,732</u></u>

Trade and other payable and accrued charges are mainly denominated in RMB and the carrying amounts approximate their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Tolled Mileage	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Operating Term (years)
Subsidiaries						
GNSR Expressway	42.5	6	9	Expressway	60.00	21
Xian Expressway	20.1	4	3	Expressway	100.00	5
Cangyu Expressway	23.3	4	1	Expressway	100.00 ⁽¹⁾	19
Jinbao Expressway	23.9	4	3	Expressway	60.00	19
Han-Xiao Expressway	38.5 ⁽²⁾	4	1	Expressway	90.00	26
Changzhu Expressway ⁽³⁾	46.5	4	5	Expressway	90.00	29
Associates and Jointly Controlled Entities						
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽⁴⁾	18
Northern Ring Road	22.0	6	10	Expressway	24.30	12
GWSR Expressway ⁽⁵⁾	42.1	6	5	Expressway	35.00	Pending approval
Shantou Bay Bridge	6.5	6	1	Suspension Bridge	30.00	17
Qinglian Expressway	215.2	4	17	Expressway	23.63	23

- (1) On 11 March 2011, the remaining 10% equity interest was acquired, and thus the company became an indirectly wholly-owned subsidiary of the Group.
- (2) The Airport Northern extension was opened on 18 November 2011 and included in the tolled mileage of the Han-Xiao Expressway.
- (3) On 27 June 2011, acquisition of 90% equity interest was completed, and the project was included in the analysis of the projects operated by the Group since July.
- (4) Starting from 2010, the profit sharing becomes 18.446%.
- (5) The term of operation of GWSR Expressway is still pending approval by the relevant authorities.

Toll Summary of Toll Roads and Bridges

For the twelve months ended 31 December 2011

	Average daily toll traffic volume		Average daily toll revenue		Weighted average toll revenue per vehicle	
	(vehicle/day)	Change %	(RMB/day)	Change %	(RMB)	Change %
Subsidiaries						
GNSR Expressway	105,271	4.5%	1,981,465	-0.7% ⁽¹⁾	18.8	-4.9%
Xian Expressway ⁽²⁾	46,640	24.4%	623,462	30.5%	13.4	4.9%
Jinbao Expressway ⁽³⁾	24,248	8.5%	377,644	-17.4%	15.6	-24.5%
Cangyu Expressway	10,053	81.1%	279,014	65.8%	27.8	-8.4% ⁽⁴⁾
Han-Xiao Expressway	9,298	12.6%	214,539	40.0%	23.1	24.3%
Changzhu Expressway	9,452	N/A	258,684	N/A	27.4	N/A
Associates and Jointly Controlled Entity						
Humen Bridge	72,571	8.2%	2,861,300	3.3%	39.4	-4.5%
Northern Ring Road	180,771	13.2%	1,717,172	7.3%	9.5	-5.2%
GWSR Expressway	33,437	16.6%	737,362	9.7%	22.1	-5.9%
Shantou Bay Bridge	14,648	11.8%	563,346	9.8%	38.5	-1.8%
Qinglian Expressway ⁽⁵⁾	21,441	17.2%	1,282,035	23.7%	59.8	5.5%

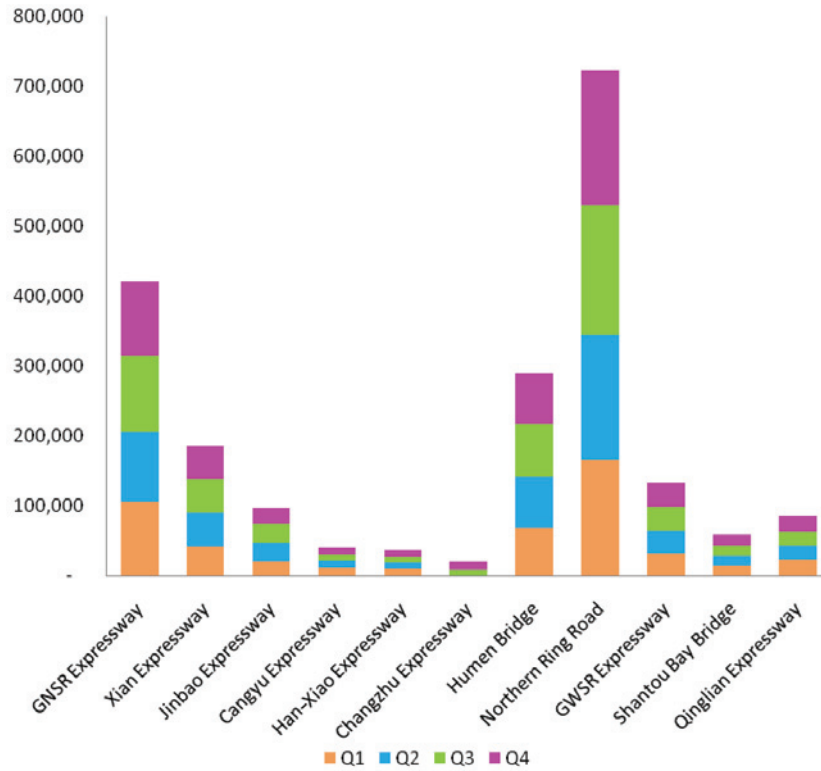
- (1) With the impacts of the Asian Games diminishing, the base of the toll revenue in 2010 was higher, leading to a decrease in 2011 on a Y-O-Y basis.
- (2) As a result of the 2011 World Horticultural Exposition and the gradual improvement in the surrounding road networks, both traffic volume and toll revenue showed a substantial increase when compared on a Y-O-Y basis.
- (3) Traffic volume continued to maintain its growth, but the opening of the Binbao Expressway, which runs parallel to the project, changed the traffic flow structure and significantly reduced the proportion of revenue from long-distance traffic volume, resulting in a year-on-year decline in toll revenue.
- (4) The higher growth in passenger vehicles than that for goods vehicles in 2011 resulted in a decline in weighted average toll per vehicle.
- (5) The Lianzhou to Fengbu Section of the Qinglian Expressway (Liannan Section) operated according to expressway standards since 25 January 2011. The total tolled mileage of the Qinglian Expressway increased to 215.2 km. In addition, with the completion and opening of the Yilian Expressway connected with the northern section of the project, on 25 September 2011, the surrounding road networks were improved, promoting the rapid growth in traffic volume and toll revenue.

Toll Roads and Bridges

Analysis of average daily toll traffic volume for the first quarter to fourth quarter of 2011

	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	105,594	100,901	107,912	106,635
Xian Expressway	41,392	48,829	48,856	47,393
Jinbao Expressway	20,486	26,712	27,058	22,681
Cangyu Expressway	12,604	8,682	9,303	9,661
Han-Xiao Expressway	9,800	9,084	8,808	9,509
Changzhu Expressway	NA	NA	9,719	10,893
Associates and Jointly Controlled Entity				
Humen Bridge	69,320	72,513	75,086	73,294
Northern Ring Road	165,598	178,398	186,694	192,040
GWSR Expressway	31,722	32,655	34,287	35,037
Shantou Bay Bridge	15,105	13,738	15,077	14,670
Qinglian Expressway	22,933	20,038	20,156	22,654

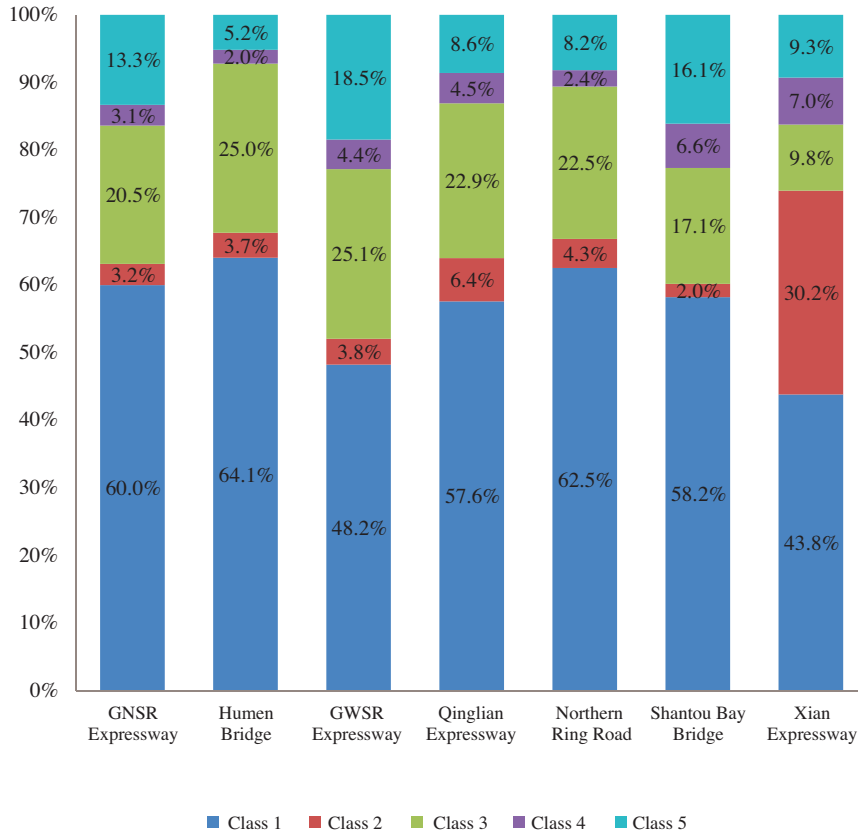
Analysis of quarterly average daily toll traffic volume for 2011



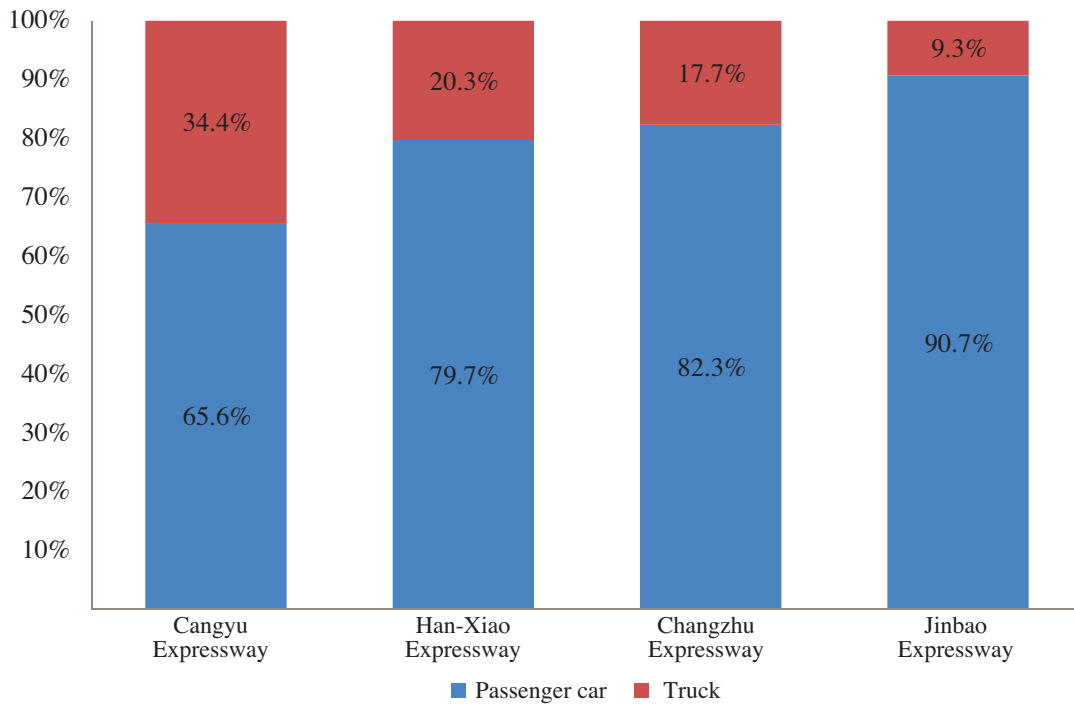
Analysis of vehicle type for 2011

With the gradual implementation of the investment strategy by the Group in recent years, the Group operates business projects widely in six provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Shaanxi and Tianjin. During the Reporting Year, vehicle type classification was based on the location where the Group operated its projects. Vehicle type of projects operated in Guangdong and Shaanxi was classified as class 1 to class 5, for projects operated in other areas, vehicle type was classified as passenger (vehicle) and goods (vehicle).

Analysis of vehicle type (by traffic volume) Projects operated in Guangdong and Shaanxi



Projects operated in other regions



Summary of operating performance

Macroeconomic environment

During the Reporting Year, facing complicated and changeable international situations and new circumstances arising from China's economy, the Chinese government continuously improved macroeconomic policies and strengthened regulation efforts, thereby keeping the steady growth trend of domestic economy. According to preliminary accounting, in 2011, China's GDP reached RMB47.1564 trillion, representing an increase of 9.2 percent year on year and a moderately slowed growth rate.

With gradual withdrawal or higher threshold of industry stimulus policies such as car purchase tax preference, energy-saving subsidy and so on, this round of high speed growth, starting from economic crisis and originating from policy stimulus and pushing China's auto production and sales to the world's top, had begun falling back. In 2011, the growth rate of the domestic auto market presented a slowly steady downward trend, yet still with the production and sales volume both exceeding 18 million, i.e. 18.416 million and 18.505 million respectively, which respectively grew by 0.8 percent and 2.45 percent from 2010, remaining the world's No.1.

During the Reporting Year, Guangdong Province accelerated its economic restructure and upgrade, with the growth rate of major economic indicators under stable running, and the regional annual GDP realized RMB5.2674, a year-on-year increase of 10.0 percent benefiting from the completion of ASEAN Free Trade Area (AFTA) and the industry shift from the Eastern China, Guangxi Autonomous Region's GDP historically leaped over RMB1 trillion, approaching RMB1.1714 trillion, an increase of 12.3 percent from 2010; Hubei and Hunan provinces, located in the central China, continuously driven by the state central and western rising strategy, respectively realized the regional GDP of RMB1.9594 trillion and 1.9635 trillion yearly, with the respective growth rate of 13.8 and 12.8 percent; Tianjin, situated at the core of Bohai Rim Economic Circle, continually kept its strong vitality of economy, realizing regional GDP of RMB1.1191 trillion in 2011, an increased by 16.4 percent year on year, and ranking the first nationwide; and owing to the successful hosting of the World Horticultural Exposition as well as the continuous boom of tourism, catering and consumer markets, Shaanxi Province's regional GDP reached RMB1.2391 trillion, an increase of 13.9 percent from 2010. The smooth operation of the domestic economy led to stable traffic demand in total. In 2011, the total traffic volumes of passenger vehicles and freight vehicles nationwide were 32.8 billion people and 28.1 billion tons respectively, which grew by 7.4 percent and 14.9 percent respectively when compared with those in 2010; and the turnovers of passenger vehicles and freight vehicles increased by 11.4 percent and 18.3 percent respectively. In such a

situation, during the Reporting Year, the toll road and bridge projects under the Group in general kept a growth trend, with the growth range differing to each other by its own status, and the central and western projects generally has a growth rate higher than that of projects in the eastern coastal areas.

(Unit: RMB100 million)

	National	Guangdong Province	Guangxi Autonomous Region	Hubei Province	Hunan Province	Tianjin City	Shaanxi Province
GDP in 2011	471,564	52,674	11,714	19,594	19,635	11,191	12,391
Growth rate in 2011	9.2%	10.0%	12.3%	13.8%	12.8%	16.4%	13.9%
Growth rate in 2010	10.4%	12.4%	14.2%	14.8%	14.5%	17.4%	14.5%

Source: State, Provincial and Municipal Bureau of Statistics

Policy in toll road sector

To promote healthy development for the toll road sector, on 14 June 2011, Ministry of Transport, National Development and Reform Commission, Ministry of Finance, etc., totally five ministries jointly carried out a clean-up campaign on toll roads nationwide. By the end of 2011, with the preliminary completion of the first stage investigation work, all provinces or cities announced the basic clean-up information, generally revealing pressures of high debts and huge financial pressures for the toll road industry; and collectively considering such relative larger pressures of construction, maintenance and debt payment for each every province, there was a large probability of slowing down the policy pressure in the later stage. In 2012, the clean-up on toll road projects will enter into the phase of reviewing, summary and improvement, while both the country and various regions may launch some specific rectifications for typical road sections or problems according to clean-up results. In general we expect the pressure caused by policy has been eased.

Since 26 November 2010, all toll road projects of the Group have performed the new policy of “Green channels free of charge” in accordance with relevant state provisions. During the Reporting Year, the cumulatively waived toll revenue on the green channels of the Group amounted to about RMB65.46 million, which accounted for 4.8 percent of total toll revenue i.e. a growth rate of 91.8 percent from the same period in 2010.

Management Innovation

During the Reporting Year, with further expansion of management scope, the Group respectively took over two expressway projects and a port project in Hubei, Hunan and Guangxi, which basically built-up a nationwide management framework. Relying on the smooth operation of the project's board of directors, the Group realized effective governance on relevant project companies, with the cost and expense control on subsidiaries reaching the industry-leading level, and obtained over 10 awards from Ministry of Transport, Shaanxi Province, Guangdong Province and Tianjin City, which marked the entry into a new stage for the Group's operation and management level.

Investment project progress

During the Reporting Year, the Group kept strengthening its investment expansion efforts to identify quality expressway projects for acquisition, and actively extended toward other transport infrastructure areas. In 2011, the Group invested RMB87.21 million for 51 percent equity interest in Guangxi Wuzhou Chishuiyu Port; the Group invested RMB54 million to acquire the remaining 10 percent equity interest in Guangxi Cangyu Expressway; through the signing of transfer contract on 100 percent equity interest of Henan Weixu Expressway project, the Group was in need of paying RMB1.062 billion as the initial consideration; and the Group paid RMB72.85 million as the consideration for Han-Xiao Expressway as the north extension to the Tianhe Airport. The construction was completed for traffic on 18 November 2011.

Performance of individual expressways and bridges

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll traffic volume was 105,271 vehicles and the average daily toll revenue was RMB1,981,000, representing an increase of 4.5 percent and a decrease of 0.7 percent respectively from 2010.

Affected by the slowdown of macro-economy, the Asian Games effect and traffic limit to large trucks for maintenance of Guangqing Expressway connected with the project and so on, the growth of truck volume of GNSR Expressway slowed down during the Reporting Year, while cars kept a high growth trend, following the fast growth of car ownership and increase of tourist travel in recent years, which led to a small change in vehicle models, and therefore showed as a slight growth of toll traffic and a tiny decrease of toll revenue.

Xian Expressway

During the Reporting Year, the average daily toll traffic volume was 46,640 vehicles and the average daily toll revenue was RMB623,000, representing an increase of 24.4 percent and 30.5 percent respectively year on year.

Benefiting from favorable factors such as the opening of Xian World Horticultural Exposition, and gradually improvement of surrounding road network conditions, in 2011, the average daily toll traffic volume and toll revenue of Xian Expressway showed a substantial rise from the previous year.

Jinbao Expressway

During the Reporting Year, the average daily toll traffic volume was 24,248 vehicles and the average daily toll revenue was RMB378,000, representing an increase of 8.5 percent and a decrease of 17.4 percent respectively from 2010.

Beneficial from rapid development of the Bohai Rim Economic Circle, in 2011, traffic volume of Tianjin Jinbao Expressway continually kept steady growth. With change of traffic volume structure arising from the open of Jinbao Expressway which parallelized with this project, long path gains traffic volume significantly reduced, which in turn results slowdown in toll revenue, but with a basically stable downward trend since the third quarter. Facing such unfavorable situation of road network diversion, Tianjin Jinbao Expressway focused on its images both internal and external management, which obviously improved the operational management and service level, to provide recovery growth of toll revenue with more effective protection in the future.

Cangyu Expressway

During the Reporting Year, the average daily toll traffic volume was 10,053 vehicles and the average daily toll revenue was RMB279,000, representing an increase of 81.1 percent and 65.8 percent respectively from 2010.

Beneficial from rapid economic growth in Guangxi region, as well as completion of surrounding road network, traffic volume and toll revenue of Cangyu Expressway increased substantially in the Reporting Year.

Han-Xiao Expressway

During the Reporting Year, the average daily toll traffic volume was 9,298 vehicles and the average daily toll revenue was RMB215,000, representing an increase of 12.6 percent and 40.0 percent respectively from 2010.

Since the takeover at beginning of the year, traffic volume and toll revenue of Han-Xiao Expressway grew steadily. Beneficial from gradually movement of Hanzhengjie commodity market to Hankou north wholesale city, and the favorable driven of the open of airport north connection line, it is expected to attract more traffic to pass Hubei Han-Xiao Expressway.

Changzhu Expressway

During the Reporting Year, the average daily toll traffic volume was 9,452 vehicles and the average daily toll revenue was RMB259,000.

Since official takeover of Hunan Changzhu Expressway by the Group on 28 June 2011, through strengthening operational management and marketing promotion, traffic volume and toll revenue maintained good growth trend, with the business situation in line with expectation. With full operation of Zhuzhou Fangte amusement park and gradually improved surrounding road network, it is expected to attract more vehicles to run on Hunan Changzhu Expressway.

Associates and jointly controlled entity

Humen Bridge

During the Reporting Year, the average daily toll traffic volume was 72,571 vehicles and the average daily toll revenue was RMB2,861,000, representing an increase of 8.2 percent and 3.3 percent respectively from 2010.

Subject to the domestic economy and slowed growth of foreign trade in PRD, during the Reporting Year, truck traffic volume of Humen Bridge showed downward trend quarter by quarter, while passenger car, especially the small car, maintained rapid growth with rapid growth of car ownership in recent years and increase of travel, which led to minor changes in vehicle structure, thus demonstrating as slower toll revenue growth rate than traffic volume growth rate.

Northern Ring Road

During the Reporting Year, the average daily toll traffic volume was 180,771 vehicles and the average daily toll revenue was RMB1,717,000, representing an increase of 13.2 percent and 7.3 percent respectively from 2010.

Beneficial from gradually growth of car ownership in Guangzhou, and the opening of Guangzhou North Ring expressway access on Jinshazhou Chuanghui road, which made it capable of getting directly access from Jinshazhou to central area of Guangzhou, so as to drive steady growth on traffic volume and toll revenue for Guangzhou Northern Ring Road.

GWSR Expressway

During the Reporting Year, the average daily toll traffic volume was 33,437 vehicles and the average daily toll revenue was RMB737,000, representing an increase of 16.6 percent and 9.7 percent respectively from 2010.

As major expressway line in Guangzhou western area, GWSR Expressway connected with many expressways. With increasing familiar with the GWSR Expressway of vast passengers, it promoted toll traffic volume and toll revenue to continually remain rapid growth trend, but affected by macroeconomic and slow foreign trade growth trend in Guangdong, growth speed of traffic volume and toll revenue slowed down over the same period in the last year.

Shantou Bay Bridge

During the Reporting Year, the average daily toll traffic volume was 14,648 vehicles and the average daily toll revenue was RMB563,000, representing an increase of 11.8 percent and 9.8percent respectively from 2010.

Owing to the faster regional economy growth and affected by implementation of weight charge since 2011, toll traffic volume and toll revenue of Shantou Bay Bridge were driven to show rapid growth.

Qinglian Expressway

During the Reporting Year, the average daily toll traffic volume was 21,441 vehicles and the average daily toll revenue was RMB1,282,000, representing an increase of 17.2 percent and 23.7 percent respectively from 2010.

The Lianzhou to Huangfu section (Liannan section) of Qinglian expressway was operated in line with expressway standard since 25 January 2011, which made the total toll mileage of Qinglian expressway increase to 215.2 km, and coupled with open of Yilian Expressway which connected to northern section of the project on 25 September 2011, which improved the surrounding road network, so as to promote rapid growth of toll traffic volume and toll revenue.

Financial Review

Key operating results figures

	2011	2010	Change
	RMB'000	RMB'000	%
Toll Revenue	1,321,997	1,252,665	5.5
Gross profit of toll collection	886,519	771,772	14.9
Operating profit	822,277	679,724	21.0
Earnings before interests, tax, depreciation and amortization (“EBITDA”) ¹	1,182,515	1,141,945	3.6
Finance costs	(161,284)	(60,183)	168.0
Share of results of associates	158,797	186,048	-14.6
Share of result of a jointly controlled entity	17,298	17,047	1.5
Profit attributable to shareholders of the Company	558,212	534,544	4.4
Basic and diluted earnings per share	RMB0.3336	RMB0.3195	4.4
Dividends	328,787	312,070	

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

Analysis of operating results

The Reporting Year was a year full of challenges and opportunities to the Group such as global financial and economic situations keep changing and becoming complicated; the Chinese government commenced its special investigation on toll roads in mid of the Reporting Year; renewal of industry policies and implementation of various measures such as “Toll-by-Weight” standards, “Green Passage toll free policy” and others which have created a certain degree of impacts and at the same time brought opportunities to the Group. Certain toll projects were temporarily affected (either positive or negative) with the major events held in their respective regions. As Class 1 Highways completely retreated from operation, 100.0 percent of the controlled toll projects are expressways. New acquisitions consolidated in the Reporting year would bring in new sources of income to the Group. The Group recorded toll revenue of RMB1,322.0 million in the Reporting Year which represented a 5.5 percent growth over 2010. The four Class 1 Highways’ toll operating rights were discontinued at end of October 2010 with toll revenue recorded for the period January to October 2010 amounted to RMB121.5 million while the

newly acquired Han-Xiao Expressway (full year toll revenue consolidated in the Reporting Year) and Changzhu Expressway (half year toll revenue consolidated in the Reporting Year) together brought in aggregate toll revenue of RMB131.5 million in the Reporting Year. Due to the Guangzhou Asian Games in the last quarter of 2010 which had driven up the 2010 toll revenue base of both GNSR Expressway and GWSR Expressway, these two expressways' toll collection patterns in 2011 were back to their original natural growth levels with GWSR Expressway even surpassed its 2010 toll revenue by 9.7 percent. The International Horticultural Exposition in 2011 has driven up Xian Expressway's toll revenue by 30.5 percent to RMB227.6 million. Cangyu Expressway benefited from the opening of Guangwu Expressway on 30 June 2010 and posted a 65.8 percent toll revenue growth to RMB101.8 million in the Reporting Year. The opening of the Liannan section of Qinglian Expressway early in the Reporting Year and followed by the opening of Yilian Expressway on 25 September 2011 have boosted the toll revenue of Qinglian Expressway by 20.2 percent to RMB471.3 million while Jinbao Expressway was experiencing toll revenue decline by 17.6 percent to RMB137.8 million due to traffic mix change resulted from the structural change in the regional traffic volume since the opening of the Binbao Expressway in December 2010. Northern Ring Road posted a 7.2 percent toll revenue growth to RMB627.2 million being benefited from the opening of adjacent road networks. Shantou Bay Bridge began to adopt Toll-by-Weight since 20 October 2011 and its toll revenue grew by 9.8 percent to RMB205.6 million. Humen Bridge continued to record natural growth in toll revenue of 3.3 percent to RMB1.04 billion in the Reporting Year.

Recalling back in December 2009, when the Group changed its accounting policy in respect of functional currency, RMB is defined as the Group's functional currency and currencies other than RMB are defined as foreign currencies. Under the relevant Hong Kong accounting standard, foreign exchange gains and losses resulting from translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the income statement. In 2010, net exchange loss of RMB27.4 million was recognized which was mainly attributed to the translation of HK dollar denominated cash and cash equivalents. Following the adoption of the Group's exchange risk measure (i.e. took advantage of the further relaxation measures in the RMB business in Hong Kong and converted directly a substantial portion of its HK\$ and USD denominated cash into RMB), exchange loss from foreign currency translation was very minimal in the Reporting Year. Moreover, an exchange gain of approximately RMB89.7 million which was previously recognized in other comprehensive income and accumulated in the separate component of equity now reclassified from equity to income statement in the Reporting Year upon partial repayment of the investment funds in the four Class 1 Highways; and another RMB3.0 million exchange gain (2010: recognized RMB10.0 million) was also recognized in the Reporting Year from locking up the RMB to HK\$ exchange rate for the consideration payable of Han-Xiao Expressway pursuant to the relevant Equity Transfer Agreement.

In the Reporting Year, the Group has recognised Cangyu Expressway's unutilized tax losses and deferred tax credit of RMB21.7 million was recorded.

With the aforementioned challenges, and after put through the said reclassification adjustment and the deferred income tax asset, profit attributable to the shareholders of the Company increased by 4.4 percent to RMB558.2 million in the Reporting Year.

Toll Revenue

The Group recorded toll revenue of RMB1,322.0 million in the Reporting Year, represented a 5.5 percent growth over 2010. Toll Revenue contribution from the newly acquired Han-Xiao Expressway (full year toll revenue contribution in the Reporting Year) and Changzhu Expressway (half year toll revenue contribution in the Reporting Year) in aggregate amounted to RMB131.5 million. This additional toll revenue can more than offset the toll revenue loss from the cessation of operation of the four Class 1 Highways in 2010 (being RMB121.5 million).

Analysis of toll revenue by each controlled toll project					
Controlled Toll Projects	Reporting Year	Percentage of total	2010	Percentage of total	Change
	RMB'000	%	RMB'000	%	%
GNSR Expressway	723,234	54.7	728,091	58.1	-0.7
Xian Expressway	227,564	17.2	174,362	13.9	30.5
Jinbao Expressway	137,840	10.5	167,330	13.4	-17.6
Cangyu Expressway	101,840	7.7	61,411	4.9	65.8
Han-Xiao Expressway	78,307	5.9	N/A	N/A	N/A ⁽¹⁾
Changzhu Expressway	53,212	4.0	N/A	N/A	N/A ⁽²⁾
Class 1 Highways	<u>—</u>	<u>N/A</u>	<u>121,471</u>	<u>9.7</u>	<u>N/A⁽³⁾</u>
Total	<u>1,321,997</u>	<u>100.0</u>	<u>1,252,665</u>	<u>100.0</u>	5.5

(1) Acquisition of Han-Xiao Expressway was completed at the end of December 2010. For comparison purpose, toll revenue from 1 January 2010 to 31 December 2010 amounted to RMB55.9 million by which the Reporting Year was higher by 40.0 percent.

(2) Acquisition of Changzhu Expressway was completed on 27 June 2011. Since Changzhu Expressway has just commenced toll collection in August 2010; we used toll revenue in the first half of 2011 for comparison purpose. Toll revenue from 1 Jan 2011 to 30 June 2011 amounted to RMB41.2 million by which the toll revenue consolidated to the Group in the second half of the Reporting Year was higher by 29.1 percent.

(3) Class 1 Highways' toll operating rights were discontinued at the end of October 2010.

GNSR Expressway remained as the Group's highest toll revenue contributor in the Reporting Year being 54.7 percent (2010: 58.1 percent) to the total toll revenue of the controlled toll projects. Due to the higher truck traffic volume and toll revenue base during the period of 2010 Asian Games as driven by the non-local truck traffic restriction imposed in the inner ring road of Guangzhou, toll revenue of GNSR Expressway in the Reporting Year of RMB723.2 million was 0.7 percent slightly lower than the driven up 2010 figure.

Xian Expressway, ranked second in terms of toll revenue contribution, has rebounded from the temporary decline in 2010 to a 30.5 percent growth in the Reporting Year. Toll revenue amounted to RMB227.6 million which represented approximately 17.2 percent (2010: 13.9 percent) of the total revenue from the controlled toll projects.

Jinbao Expressway, ranked third in terms of toll revenue contribution, declined 17.6 percent in the Reporting Year to RMB137.8 million, represented approximately 10.5 percent (2010: 13.4 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 slightly changed the structure of regional traffic volume.

Cangyu Expressway's contribution to the total revenue from controlled toll projects was 7.7 percent (2010: 4.9 percent) and being benefited from the opening of Guangwu Expressway on 30 June 2010, it posted satisfactory revenue growth of 65.8 percent to RMB101.8 million in the Reporting Year.

Subsequent to its acquisition in December 2010, Han-Xiao Expressway contributed toll revenue of RMB78.3 million to the Group in the Reporting Year, which accounted for approximately 5.9 percent of the total revenue from controlled toll projects. For comparison purpose, Han-Xiao Expressway's toll revenue in the Reporting Year has increased by 40.0 percent over the 2010 figure of RMB55.9 million.

On 27 June 2011, Changzhu Expressway was consolidated to the Group. In the second half of the Reporting Year, Changzhu Expressway contributed toll revenue of RMB53.2 million to the Group and this accounted for approximately 4.0 percent of the total revenue from controlled toll projects. Since Changzhu Expressway has just commenced toll collection in August 2010, toll revenue in the first half of the Reporting Year shall be used for comparison purpose. Toll revenue consolidated to the Group in the second half of the Reporting Year increased by 29.1 percent over the toll revenue in the first half of RMB41.2 million.

With the closure of toll stations at end of October 2010, no more toll revenue from Class 1 Highways was recorded in the Reporting Year (2010: RMB121.5 million).

Cost of services

In the Reporting Year, cost of services of the Group's toll highways amounted to RMB435.5 million (2010: RMB480.9 million), represented a decrease of RMB45.4 million or 9.4 percent over 2010. An analysis of the cost of services showed that the reason of decrease in cost of services was due to cost of services incurred by new acquisitions was lower than the costs of services of the Class 1 Highways being ceased operation in October 2010, i.e. cost of services of the newly acquired Han-Xiao Expressway (full year cost of services consolidated) and Changzhu Expressway (half year cost of services consolidated) in aggregate amounted to RMB43.7 million in the Reporting Year while cost of services of the four Class 1 Highways in 2010 was RMB121.9 million; thus, resulted in cost of services to decrease by RMB76.7 million in the Reporting Year; on the other hand, cost of services of the other existing controlled toll projects in aggregate increased by RMB31.3 million or 8.7 percent in the Reporting Year mainly due to (1) staff costs increased by RMB15.1 million or 33.2 percent; (2) increase in amortization of intangible operating rights of RMB12.1 million or 6.3 percent; (3) other operating costs increased by RMB11.3 million or 31.0 per cent while toll highways and bridges maintenance expenses declined by RMB12.9 million or 26.1 percent; and (4) business tax increased by RMB5.7 million or 16.4 percent. Staff costs increased mainly due to additional manpower, adjusted salary scale and adoption of new calculation basis of social security costs in accordance to relevant government policy. Intangible operating rights were amortized using the unit of usage method by which the amortization rate was aligned with the projected traffic flow growth rate. With the introduction of the new business tax policy in December 2010 (No.35[2010] of the State of Council) (《國務院國發[2010]35 號通知》), Foreign Enterprises which were originally granted exemption, now has to pay for the “Urban Maintenance and Construction Tax” (“城市維護建設稅”) and “Educational Surcharges” (“教育費附加”).

Analysis of cost of services by each controlled toll project					
Controlled Toll Projects	Reporting Year	Percentage of total	2010	Percentage of total	Change
	RMB'000	%	RMB'000	%	%
GNSR Expressway	219,371	50.4	213,174	44.3	2.9
Xian Expressway	67,098	15.5	66,024	13.7	1.6
Jinbao Expressway	74,480	17.1	59,776	12.4	24.6
Cangyu Expressway	29,344	6.7	20,015	4.2	46.6
Han-Xiao Expressway	21,940	5.0	N/A	N/A	N/A
Changzhu Expressway	21,774	5.0	N/A	N/A	N/A
Class 1 Highways	<u>1,471</u> ⁽¹⁾	<u>0.3</u>	<u>121,904</u>	<u>25.4</u>	N/A
Total	<u>435,478</u>	<u>100.0</u>	<u>480,893</u>	<u>100.0</u>	-9.4

(1) Being under-provision in 2010, recognized in the Reporting Year.

In the Reporting Year, cost of services of GNSR Expressway increased by 2.9 percent or RMB6.2 million. Amortization of intangible operating rights, staff costs, other operating expenses and business tax in aggregate increased by RMB18.8 million while toll roads repairs and maintenance decreased by RMB12.6 million.

The cost of services of Xian Expressway in the Reporting Year was 1.6 percent or RMB1.1 million slightly higher than 2010. Toll road repairs and maintenance, staff costs, other operating expenses and business tax in aggregate increased by RMB12.3 million while amortization of intangible operating rights related to construction cost of toll highways and bridges upgrade services decreased by RMB11.2 million.

The cost of services of Jinbao Expressway in the Reporting Year was increased by 24.6 percent or RMB14.7 million. Amortization of intangible operating rights related to construction cost of toll highways and bridges upgrade services, staff costs and other operating expenses in aggregate increased by RMB18.4 million while toll roads repairs and maintenance decreased by RMB3.7 million.

Cangyu Expressway's cost of services in the Reporting Year was increased by 46.6 percent or RMB9.3 million which was mainly due to increase in amortization of intangible operating rights, staff costs, other operating expenses and business tax.

The full year's and half year's cost of services of Han-Xiao Expressway and Changzhu Expressway were consolidated in the Reporting Year, which increased the Group's cost of services by RMB21.9 million and RMB21.8 million respectively.

Gross profit

Gross profit of toll collection in the Reporting Year was increased by RMB114.7 million or 14.9 percent of which RMB87.8 million was generated from the newly acquired Han-Xiao Expressway and Changzhu Expressway. Gross profit margin of toll operation in the Reporting Year was 67.1 percent being 5.5 percentage point higher than 2010.

Analysis of gross profit of toll collection by each controlled toll project				
Controlled Toll Projects	Reporting Year		2010	
	Gross Profit	Gross Margin	Gross Profit	Gross Margin
	RMB'000		RMB'000	
GNSR Expressway	503,863	69.7%	514,917	70.7%
Xian Expressway	160,466	70.5%	108,338	62.1%
Jinbao Expressway	63,360	46.0%	107,554	64.3%
Cangyu Expressway	72,496	71.2%	41,396	67.4%
Han-Xiao Expressway	56,367	72.0%	N/A	N/A
Changzhu Expressway	31,438	59.1%	N/A	N/A
Class 1 Highways	<u>(1,471)⁽¹⁾</u>	N/A	<u>(433)</u>	N/A
Total	<u>886,519</u>	67.1%	<u>771,772</u>	61.6%

(1) Being under-provision of cost of services in 2010, recognized in the Reporting Year.

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB160.1 million (2010: RMB138.9 million), represented an increase of RMB21.2 million or 15.3 percent over 2010. The newly acquired Han-Xiao Expressway and Changzhu Expressway which were consolidated to the Group in the Reporting Year had added RMB13.1 million to the total general and administrative expenses. If taking out the four Class 1 Highways, general and administrative expenses in the Reporting Year increased by RMB51.8 million or 49.9 percent. Such increase was mainly attributed to the increase in staff costs (accounted for approximately 60.0 percent of the total general and administrative expenses) of RMB33.2 million due to (a) staff costs incurred by the newly acquired Han-Xiao Expressway and Changzhu Expressway in aggregate of RMB4.9 million; (b) additional manpower and increase in salary scale; and (c) 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 RMB161.3 million (2010: RMB60.2 million), represented an increase of approximately 168.0 percent over 2010. The increase was mainly due to the finance costs of Han-Xiao Expressway (full year) amounted to RMB43.6 million and Changzhu Expressway (half year) amounted to RMB60.3 million which were consolidated to the Group in the Reporting Year.

Share of results of associates and jointly controlled entity

The Group's share of post-tax profit less losses of associates has declined by 14.6 percent during the Reporting Year to RMB158.8 million. The decline was mainly due to the operating loss of Qinglian Expressway during the cultivation period of its operation and the expiration of the tax concession period of Humen Bridge in 2010 (commencing from 2011, profit tax rate was adjusted to 24.0 percent from 11.0 percent in 2010). The Group's jointly controlled entity continued to maintain a profitable performance in the Reporting Year and share of its post-tax profit amounted to RMB17.3 million in the Reporting Year, slightly higher than 2010 by 1.5 percent.

Share of post-tax profit of Humen Bridge in the Reporting Year amounted to RMB110.2 million, a 12.0 percent decline over 2010. While revenue at the project company level posted a growth of 3.3 percent to RMB1,044.5 million in the Reporting Year, with the expiration of the tax concession period, profit tax rate has increased to 24.0 percent in the Reporting Year from 11.0 percent in 2010.

Share of post-tax profit from Northern Ring Road in the Reporting Year improved 5.5 percent to RMB64.0 million and toll revenue at the project company level also increased by 7.2 percent to RMB627.2 million.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year amounted to RMB31.3 million, represented a 4.6 percent rise as compared to 2010 and toll revenue at project company level grew by 9.8 percent to RMB205.6 million.

In the Reporting Year, the share of loss of Qinglian Expressway amounted to RMB46.7 million with the decline rate narrowed down to 56.8% (decline rate in 2010 was 86.3 percent) which was within the Group's expectation over a toll road in the cultivation period. Toll revenue at the project company level posted a growth of 20.2 percent to RMB471.3 million in the Reporting Year. Looking forward, with the opening of the Liannan section of Qinglian Expressway early in the Reporting Year and Yilian Expressway in 25 September 2011, profitability will likely to improve and it is anticipated to become a more meaningful contributor to the Group's profitability.

Since commencement of operation in December 2006, GWSR Expressway started to record profit in 2010 and continue to maintain a profitable performance in 2011. Share of post-tax profit of GWSR Expressway in the Reporting Year amounted to RMB17.3 million, slightly higher than 2010 by 1.5 percent. If taking out the other non-operation related gains of RMB15.6 million (attributable RMB5.5 million) from 2010's figure, it would mean that there was an increase of share of post-tax profit in the Reporting Year of 49.8 percent. Toll revenue at the project company level in the Reporting Year amounted to RMB269.1 million, represented a 9.7 percent growth over 2010.

Analysis of share of results of associates and jointly controlled entity and respective revenue					
		Revenue ⁽¹⁾		Share of results	
	Percentage of Interests held %	Reporting Year RMB'000	YoY change %	Reporting Year RMB'000	YoY change %
Associates					
Humen Bridge	18.446 ⁽²⁾	1,044,461	3.3	110,205	-12.0
Northern Ring Road	24.3	627,168	7.2	63,993	5.5
Shantou Bay Bridge	30.0	205,621	9.8	31,274	4.6
Qinglian Expressway	23.63	<u>471,288</u>	20.2	<u>(46,675)</u>	56.8 loss increase
Sub-total		2,348,538	7.9	158,797	-14.6
Jointly controlled entity					
GWSR Expressway	35.0	<u>269,138</u>	9.7	<u>17,298</u>	1.5
Total		<u>2,617,676</u>	8.1	<u>176,095</u>	-13.3

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

(2) Starting 1 January 2010, the profit sharing ratio of the Group has been adjusted from 27.78 percent in 2009 to 18.446 percent according to Joint Venture Contract.

Income tax expense

Total income tax expense of the Group in the Reporting Year amounted to RMB134.2 million, represented a decrease of RMB12.1 million or 8.3 percent after a deferred tax asset of RMB21.7 million was recognized in the Reporting Year. 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 Period was increased to 24.0 percent from 22.0 percent in 2010. GNSR Expressway’s tax rate in 2011 (being the last year of its tax concession period) is 12.0 percent and will increase to 25.0 percent from 2012 onward.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB558.2 million in the Reporting Year, represented an increase of 4.4 percent over 2010.

Analysis of the profit attributable to shareholders of the Company					
	Reporting Percentage		Percentage		Change
	Year	of total	2010	of total	
	RMB'000	%	RMB'000	%	%
Net profit from controlled toll projects	417,944	70.4	376,238	64.9	11.1
Net profit from non-controlled toll projects ⁽¹⁾	<u>176,095</u>	<u>29.6</u>	<u>203,095</u>	<u>35.1</u>	-13.3
Net profit from toll projects	594,039	<u>100.0</u>	579,333	<u>100.0</u>	2.5
Withholding tax on PRC dividends	(40,787)		(41,546)		-1.8
Corporate income and expenses	(79,140)		(60,412)		31.0
Exchange gain transferred from reserve	89,689		—		N/A
Investment income	—		21,600		N/A
Expenses subsequent to cessation of toll operation	<u>(5,589)</u> ⁽²⁾		<u>(2,544)</u>		N/A
Profit before impairment losses and disposal gains	558,212		496,431		12.4
Loss on Compensation Arrangement	—		(71)		N/A
Gain on disposal of subsidiary / toll operating rights	<u>—</u>		<u>38,184</u>		N/A
Profit attributable to shareholders of the Company	<u>558,212</u>		<u>534,544</u>		4.4

(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 net profit derived from toll projects amounted to RMB594.0 million for the Reporting Year which represented a 2.5 percent growth or RMB14.7 million over 2010. Net profit from controlled toll projects accounted for 70.4 percent (2010: 64.9 percent) while net profit from non-controlled toll projects accounted for 29.6 percent (2010: 35.1 percent) in the Reporting Year.

Net profit from controlled toll projects amounted to RMB417.9 million in the Reporting Year, an increase of 11.1 percent over 2010.

Analysis of net profit by each controlled toll project					
Controlled Toll Projects	Reporting Percentage		Percentage		Change %
	Year RMB'000	of total %	2010 RMB'000	of total %	
GNSR Expressway	246,581	41.4	253,037	43.7	-2.6
Xian Expressway	109,716	18.5	77,139	13.3	42.2
Jinbao Expressway	32,455	5.5	65,641	11.3	-50.6
Cangyu Expressway	64,766	10.9	12,300	2.1	426.6
Han-Xiao Expressway	24⁽²⁾	—	N/A	N/A	N/A
Changzhu Expressway	(35,598)⁽³⁾	-6.0	N/A	N/A	N/A
Class 1 Highways	—	—	(31,879)⁽¹⁾	-5.5	N/A
Total	<u>417,944</u>	<u>70.3</u>	<u>376,238</u>	<u>64.9</u>	11.1

(1) Class 1 Highways had only 10 months operating results prior to the closure of toll stations in October 2010.

(2) Han-Xiao Expressway had its full year of operating results consolidated to the Group in the Reporting Year.

(3) Changzhu Expressway commenced its toll operation in August 2010 and only six 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 RMB176.1 million which was 13.3 percent lower than 2010. 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 18.6 percent (2010: 21.6 percent), 10.8 percent (2010: 10.5 percent), 5.3 percent (2010: 5.2 percent) and 2.9 percent (2010: 2.9 percent) respectively.

Corporate expenses increased by 31.0 percent or RMB18.7 million in the Reporting Year mainly due to increase in staff costs as explained in the general and administrative expenses section above.

With the partial repayment of the investment funds in the four Class 1 Highways (i.e. settlement of shareholders' loan receivables from the first instalment of the compensation receivable received) during the Reporting Year, an exchange gain of approximately RMB89.7 million which was previously recognized in other comprehensive income and accumulated in the separate component of equity now reclassified from equity to income statement in the Reporting Year.

Final dividend

The Directors have recommended the payment of final dividend for 2011 of HK\$0.14 which is equivalent to approximately RMB0.1139866 (2010: HK\$0.12 which was equivalent to approximately RMB0.101237) per share payable to shareholders whose names appear on the register of members of the Company at the close of business on 8 June 2012. Subject to the approval of shareholders at the Annual General Meeting to be held on 5 June 2012, the final dividend will be paid on or about 26 June 2012. Together with the interim dividend of HK\$0.10 which was equivalent to approximately RMB0.0825196 (2010: HK\$0.10 which was equivalent to approximately RMB0.085278) per share, total dividends for the year ended 31 December 2011 will amount to HK\$0.24 which is equivalent to approximately RMB0.1965062 (2010: HK\$0.22 which was equivalent to approximately RMB0.186515) per share, representing a dividend payout ratio of 58.9 percent (2010: 58.4 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.

Key financial position figures

	2011	2010	Change
	<i>RMB'000</i>	<i>RMB'000</i>	%
Total assets	16,147,403	13,842,966	16.6
Total liabilities	6,187,997	4,156,148	48.9
Cash and cash equivalents	1,298,476	2,111,929	-38.5
Total borrowings	4,363,850	2,054,922	112.4
Bank borrowings	4,028,118	1,844,300	118.4
Current ratio	1.7 times	2.1 times	
Interest coverage	8.0 times	20.0 times	
Equity attributable to the shareholders of the Company	7,933,853	7,813,584	1.5

Analysis of financial position

Assets, Liabilities and Equity

As at 31 December 2011, the Group's total assets amounted to RMB16.15 billion which represented an increase of 16.6 percent over the balance as at 31 December 2010. The Group's total assets comprised mainly of intangible operating rights of RMB10.90 billion (31 December 2010: RMB7.74 billion); investments in jointly controlled entity and associates of RMB1.96 billion (31 December 2010: RMB2.08 billion), compensation receivable of RMB701.6 million (31 December 2010: RMB1,059.3 million) being the balance for closure of the four Class 1 Highways (Before 31 December 2011, 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 2012 along with the interests (based on bank's benchmark lending rate) during the period between 1 January 2012 and date of payment.); and cash and cash equivalents of RMB1.3 billion (31 December 2010: RMB2.1 billion). At end of June 2011, Changzhu Expressway was consolidated into the Group and intangible operating rights were increased by RMB3.08 billion.

As at 31 December 2011, the Group's total liabilities amounted to RMB6.19 billion which represented an increase of 48.9 percent over the balance as at 31 December 2010. The Group's total liabilities comprised mainly of bank borrowings of RMB4.03 billion (31 December 2010: RMB1.84 billion); loans from non-controlling interests of RMB293.1 million (31 December 2010: RMB210.6 million); other loans of RMB42.7 million which were contributed by the newly acquired subsidiary, Hunan Changzhu Expressway Development Company Limited, being short-term borrowings from two external parties and deferred income tax liabilities of RMB1.17 billion (31

December 2010: RMB1.10 billion). As a result of consolidating Changzhu Expressway into the Group at end of June 2011, increase in liabilities included RMB1.77 billion in total borrowings and RMB96.8 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 RMB49.1 million (2010: RMB32.2 million).

As at 31 December 2011, the Group's total equity amounted to RMB9.96 billion (31 December 2010: RMB9.69 billion), of which amount attributable to the shareholders of the Company amounted to RMB7.9 billion, an increase of RMB120.3 million over the balance as at 31 December 2010.

Analysis of major assets, liabilities and equity items			
Items	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>	Change %
Total assets	16,147,403	13,842,966	16.6
Approximately 90.0 % of which:			
Intangible operating rights	10,904,496	7,740,035	40.9
Investments in jointly controlled entity and associates	1,964,227	2,082,316	-5.7
Compensation receivable	701,615	1,059,193	-33.8
Cash and cash equivalents	1,298,476	2,111,929	-38.5
Total liabilities	6,187,997	4,156,148	48.9
Approximately 90.0 % of which:			
Bank borrowings— current portion	379,830	582,560	-34.8
— long term portion	3,648,288	1,261,740	189.1
Other loans	42,680	—	N/A
Loans from non-controlling interests	293,052	210,622	39.1
Deferred income tax liabilities	1,173,720	1,100,669	6.6
Total equity	9,959,406	9,686,818	2.8
Of which:			
Attributable to the shareholders of the Company	7,933,853	7,813,584	1.5

Cash flows

The Group's cash and cash equivalents as at 31 December 2011 amounted to approximately RMB1.3 billion which was 38.5 percent lower than the level at 31 December 2010.

Net cash generated from operating activities during the Reporting Year amounted to RMB757.6 million (2010: RMB639.2 million) which was arrived at after the deduction of interest expenses of RMB164.2 million (2010: RMB58.4 million) and PRC enterprise income tax of RMB156.2 million (2010: RMB113.9 million).

Cash flows from investing activities during the Reporting Year showed net cash used amounted to RMB1.72 billion (2010: net cash generated of RMB119.2 million). On the outflow side, capital expenditures amounted to approximately RMB2.46 billion (2010: RMB156.9 million). On the inflow side, mainly consisted of proceeds from compensation arrangement of RMB357.7 million; investment returns and repayments from associates of RMB306.0 million and RMB50.7 million respectively (2010: net RMB210.3 million); and bank interest income amounted to approximately RMB24.0 million (2010: RMB25.1 million).

Cash flows from financing activities during the Reporting Year showed net cash generated amounted to RMB151.8 million (2010: net cash used of RMB610.6 million). The inflow side mainly included proceeds from bank borrowings amounted to approximately RMB634.4 million; proceeds of loan from a jointly controlled entity of RMB17.5 million; net proceeds of loans from non-controlling interests of RMB78.0 million; and capital contribution from non-controlling interest of RMB83.8 million. The outflow side mainly included repayment of bank loans amounting to RMB177.5 million (2010: RMB158.2 million), dividends paid to non-controlling interest of RMB173.3 million (2010: RMB131.6 million), and dividends paid to the shareholders of the Company of RMB307.5 million (2010: RMB319.5 million).

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2011 was 1.7 times (31 December 2010: 2.1 times). Apart from cash and cash equivalents which were the major components of the Group's current assets as at 31 December 2011, a receivable of RMB701.6 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 2011 was a short term borrowings (i.e. maturity within one year) of approximately RMB598.2 million (31 December 2010: RMB582.6 million). In view of the various capital expenditures committed and investments acquired since the second half of 2010 which had utilized a significant portion of the Group's existing 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 2011 was 8.0 times (31 December 2010: 20.0 times).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB2.46 billion (31 December 2010: RMB156.9 million) of which investment funds related expenditures included payments of cash considerations on acquisition of subsidiaries in 2009 and 2010 of approximately RMB1.57 billion; payment of RMB54.0 million for the acquisition of the remaining 10.0 percent equity interest of Cangyu Expressway; and additional capital injection to an associate of RMB62.6 million. Apart from the aforementioned, no material investment funds were paid during the Reporting Year. Capital expenditures related to intangible operating rights and fixed assets included payments of construction costs under service concession upgrade services of RMB310.9 million (31 December 2010: RMB94.7 million) and purchase of property, plant and equipment of RMB467.3 million (31 December 2010: RMB12.3 million).

Capital structures

	2011 <i>RMB'000</i>	2010 <i>RMB'000</i>
Bank borrowings	4,028,118	1,844,300
Other loan	42,680	—
Loans from non-controlling interests	293,052	210,622
Amounts due to non-controlling interests of subsidiaries	58,668	773,364
Amounts due to holding companies	228	224
Amount due to a jointly controlled entity	17,500	—
Total debts	4,440,246	2,828,510
Less: cash and cash equivalents	(1,298,476)	(2,111,929)
Net debts	3,141,770	716,581
Equity attributable to the shareholders of the Company	7,933,853	7,813,584
Total capitalization	11,075,623	8,530,165
Gearing ratio (net debts/total capitalization)	28.4%	8.4%

Bank borrowings of the Group as at 31 December 2011 amounted to approximately RMB4.03 billion of which RMB3.78 billion were RMB floating rate loans obtained in mainland China and secured by way of pledge of the respective toll collection rights of subsidiaries holding the toll expressways; and approximately RMB252.9 million (equivalent to US\$40.0 million) was an unsecured USD floating rate term loan obtained in HKSAR. About 9.4 percent of total bank borrowings amounting to approximately RMB379.8 million are repayable within one year and about 90.6 percent or approximately RMB3.65 billion are long term. The effective interest rate of these bank borrowings as at 31 December 2011 was 5.89 percent (31 December 2010: 5.34 percent) per annum.

Other loans were contributed by the newly acquired subsidiary, Hunan Changzhu Expressway Development Company Limited, being short term borrowings from two external parties. As at 31 December 2011, these other loans amounted to RMB42.7 million which are unsecured and except for the loan of RMB25,800,000 which is secured by intangible operating rights of the Group. The borrowings are interest bearing in the range of 6.80% to 7.05%.

Loans from non-controlling interests are unsecured and denominated in RMB. Except for two loans in aggregate of RMB78.0 million which were interest bearing in the range of 6.31 percent to 7.05 percent per annum, the rests were interest free and the carrying amounts of these loans were stated at fair values. Loans from non-controlling interests of certain subsidiaries of RMB175.7 million are repayable within one year.

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

As at 31 December 2011, equity attributable to the shareholders of the Company amounted to RMB7.93 billion (31 December 2010: RMB7.81 billion), which accounted for 71.6 percent (31 December 2010: 91.6 percent) of the Group's total capitalization.

TREASURY POLICIES

The Group's treasury policies have primarily been focused on preventing risk and managing liquidity especially during unfavorable economic conditions and financial downturns. Cash and leverage level are managed prudently and investments and utilization of financial products are evaluated thoroughly. During the Reporting Year, the Group capitalized on a number of investment opportunities by deploying a substantial amount of its internal cash and raising its leverage. Going forward, management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investment needs.

The Group's businesses are principally conducted in the PRC. All of its revenue is derived from the PRC and denominated in RMB. At the same time, most of its expenses are incurred in the PRC and denominated in RMB, except that certain fund-raising exercises may be conducted in Hong Kong. As a result, there is a natural and high degree of match between the Group's revenue and expenses in terms of currency.

Since 2010, the Group has taken advantage of the further relaxation measures in the RMB business in Hong Kong by converting a substantial portion of its HK\$ and USD denominated cash into RMB and injecting the same to the Group's recently established investment company in PRC in the form of share capital. At the same time, dividends from PRC joint ventures can now be remitted to Hong Kong either in the form of HK dollars or Renminbi. As at 31 December 2011, the level of cash and cash equivalents denominated in HK\$ and USD was approximately HK\$397.1 million and USD5.63 million respectively.

The majority of the Group's bank borrowings are incurred at the project level in the PRC. Going forward, as the Group continues to develop and venues of financing grow, the management will consider equity and debt financing denominated in foreign currency as an alternative sources of funding investment projects. The Group maintains close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by these two markets.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2011, the Group had capital commitments related to intangible operating rights and property, plant and equipment of approximately RMB225.3 million being contracted but not provided for and approximately RMB180.5 million being authorized but not contracted for.

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 Limited¹) and 鄭有志 (Zheng Youzhi¹), each an independent third party, whereby the Group conditionally agreed to acquire 100.0 percent equity interest in 河南瑞貝卡實業有限公司 (Henan Ruibeika Industrial Company Limited¹) and its subsidiary, 鄆陵瑞貝卡高速公路服務有限公司 (Yanling Ruibeika Expressway Services Limited¹) at a cash consideration of approximately RMB1,061.5 million, subject to finalization. The transaction has not been completed as at 21 March 2012.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2011. There were no significant contingent liabilities as at 31 December 2011.

¹ *For identification purpose only*

EMPLOYEES

As at 31 December 2011, the Group had approximately 1,421 employees of whom about 1,176 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. The Group has also adopted a share option scheme.

Investor Relations Report

In November 2009, the Group established the Investor Relations Department. We are always dedicated to enhancing investor relations through reasonable and full disclosure, increasing transparency on corporate governance, disseminating the development strategies of our Group, and providing operational update to the market.

In 2011, the Group successfully obtained initial coverage report from renowned international investment banks such as J.P. Morgan, Bank of America Merrill Lynch and DBS Vickers Securities. In addition to CITI Bank and HSBC Bank which recently released its initial coverage report on the Group in February 2012, by now there have been 11 investment banks in total with such reports on the Group. After the coverage on the Group, such international investment banks also actively promote us in the related markets, and dramatically improve the Group's influence in the secondary capital market. The Group's shareholder structure is further optimized, for major shareholders mostly consist of long-term value investors from Europe, the United States, Singapore and Japan. The optimization of shareholder structure also demonstrates that the Group's development strategy, business performance has been further recognized by the market.

Through a variety of events, the Group consolidates and develops good relationship with Hong Kong mainstream and internet financial media. During the Reporting period, the Group has obtained 224 positive and objective publicity reports from the media (95 times in 2010), and for the second consecutive year we won the "Annual Outstanding Listing Company Award" issued by the Capital Weekly and the Economic Digest, two magazines in Hong Kong.

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

PARTICIPATING IN MAJOR INVESTOR RELATIONS ACTIVITIES IN 2011

Conference organized by CLSA in January

Analysts and press conference on 2010 annual results held in March

Analysts and press conference on 2011 interim results held in August

Beijing and Shanghai post results NDR organized by SWS in August

European NDR organized by Bank of America Merrill Lynch in September

Conference organized by CITI Group in October

Conference organized by Bank of America Merrill Lynch, Daiwa Capital, Macquarie Securities and Barclay Capital, respectively in Beijing, Hong Kong and Singapore in November

The U.S. and Canadian NDR organized by J.P. Morgan in November

CORPORATE GOVERNANCE

The Company has complied with the code provisions of the Code on Corporate Governance Practices (“Code Provisions”) contained in Appendix 14 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited throughout the year ended 31 December 2011, except for the following deviations:

Code Provision A.4.1

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, all the non-executive Directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company’s Bye-Laws. All the non-executive Directors of the Company had retired by rotation during the past three years. They have been re-elected.

REVIEW OF ANNUAL RESULTS

The annual results have been reviewed by the audit committee of the Company.

The figures in respect of the Group’s consolidated balance sheet, consolidated income statement and the related notes thereto as set out in the preliminary announcement for the year ended 31 December 2011 have been agreed by the Group’s

auditor, PricewaterhouseCoopers, Hong Kong, to the amounts set out in the Group's draft consolidated financial statements for the year. The work performed by PricewaterhouseCoopers, Hong Kong in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by PricewaterhouseCoopers, Hong Kong on the preliminary announcement.

PURCHASE, SALE OF 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.

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Tuesday, 29 May 2012 to Tuesday, 5 June 2012, 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 5 June 2012, 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 Monday, 28 May 2012.

By Order of the Board
Yuexiu Transport Infrastructure Limited
ZHANG Zhaoxing
Chairman

Hong Kong, 21 March 2012

As at the date of this announcement, the Board comprises:

Executive Directors: ZHANG Zhaoxing (Chairman), LIANG Youpan, LI Xinmin,
LIANG Ningguang, WANG Shuhui and QIAN Shangning

Independent Non-executive FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu
Directors: