



SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00548 (SEHK) 600548 (SSE))



2017

Interim Report



Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain “forward-looking statements”, including, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company which are anticipated or expected to happen. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Users of this report should consider the aforesaid and other factors carefully, and should not place undue reliance on such “forward-looking statements”. In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of such statements.



The Board, the Supervisory Committee and the Directors, the Supervisors, the Senior Management of the Company confirm the truthfulness, accuracy and completeness of the content of this interim report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.



Contents

Definition	002
Introduction of the Company	008
Financial Highlights	010
Management Discussion and Analysis	
<i>Business Review</i>	015
<i>Financial Analysis</i>	027
<i>Outlook and Plans</i>	042
Significant Events	045
Share Capital and Shareholders	052
Directors, Supervisors and Senior Management	055
Interim Financial Statements	057
Company Information	163

Definition

In this report, the following expressions shall have the meanings set out below unless the context otherwise requires:

Reporting Period, 2017 Interim, the Period	For the six months ended 30 June 2017.
Reporting Date	The date on which Interim Report 2017 of the Company is approved by the Board, i.e. 18 August 2017.
YOY	Year-on-year change as compared to 2016 Interim or the same period of 2016.
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited.
The Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Listing Rules	The Rules Governing the Listing of Stocks on SSE and/or the Rules Governing the Listing of Securities on HKEx, as the case may be.
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government).
Shenzhen Transport Commission	深圳市交通運輸委員會 (The Transport Commission of Shenzhen Municipality).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
SZCDGC	深圳市特區建設發展集團有限公司 (Shenzhen SEZ Construction Development Group Co., Ltd.).
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).

SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company).
CMET	招商局公路網路科技控股股份有限公司 (China Merchants Expressway Network & Technology Holdings Co.,Ltd.), formerly known as 招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.).
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited).
Shenzhen International (Shenzhen)	深國際控股(深圳)有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited).
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the Three Projects). On 30 November 2015, the Company entered into agreement with the Shenzhen Transport Commission in relation to the toll adjustment of the Three Project.
Bank of Guizhou	Guizhou Bank Corporation Limited.
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The Toll Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has been toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remain toll collection.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A (Yantian to Xichong), Yanba B (Xichong to Kuichong) and Yanba C (Kuichong to Bagang), with a total toll mileage of 29.1 km. From 0:00 on 7 February 2016, it has been operated by card access and the toll were exempted.
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway, with a toll mileage of 15.6 km, From 0:00 on 7 February 2016, it has been operated by card access and the toll were exempted.
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, with toll mileage of 31km. From 0:00 on 7 February 2016, it has been operated by card access and the toll were exempted.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjingtou in Shenzhen City.

Definition

Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (Outer Ring Expressway), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as Section A of Outer Ring .
Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the coastal expressway from Guangzhou to Shenzhen (Coastal Expressway).
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. From 0:00 on 7 February 2016, Longda Expressway Shenzhen Section (Shenzhen Longhua to the ramp of access point of Nanguang Expressway), with total mileage of 23.8 km has been operated by card access and the toll were exempted.
Qinglian Project	Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road (also referred to as National Highway 107 Qinglian Section) and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (Guangwu Expressway).
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Wuhuang Expressway	The expressway from Wuhan to Huangshi.
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Flywheel Investments	輝輪投資有限公司 (Flywheel Investments Limited), a wholly-owned subsidiary of SZ International.
Pingan Innovation	深圳市平安創新資本投資有限公司 (Shenzhen Pingan Innovation Capital Investment Company Limited).
Yichang Company	湖南益常高速公路開發有限公司 (Hunan Yichang Expressway Development Company Limited), a limited liability company incorporated in the PRC, the main business is operation and management of Yichang Expressway.

Yichang Project	Comprising with the expressway from Yiyang to Changde in Hunan (Yichang Expressway) and Changde connection line .
Longda Project	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of Longda Expressway.
Nanping Project	The management of the construction project of Shenzhen Nanping Freeway undertaken by the Company, including Nanping Phase I and Nanping Phase II (comprising section A and section B).
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I , and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II .
Longda Municipal Section	The management of the construction project of the municipal facilities of Dalang Section of Longda Expressway undertaken by the Company.
Adjustment of Freight Traffic Organisation Project	The entrusted construction project of the highway toll stations and ancillary facilities undertook by the Company due to the implementation of the freight traffic organisation adjustment of Shenzhen.
Dezheng Road Project	The management of the construction project of interchange connecting Dezheng Road and Longda Expressway and the east extension of Dezheng Road which located in Shenzhen Longhua New Area undertaken by the Company.
Renmin Road Joint Project	The management of the construction project of interchange connecting Renmin Road and Meiguan Expressway undertaken by the Company.
Houmen Comprehensive Resettlement Building Project	The management of the construction project of Houmen Comprehensive Resettlement Building of Shenshan Special Cooperation Zone undertaken by the Company.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by BT mode and the primary development project of relevant land undertaken by the Company.
Resettlement Project	The management of the construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Company in Longli, Guizhou, comprising Resettlement Phase I and Resettlement Phase II .
Entrusted construction project on Hengwu Road and Hengliu Road	The entrusted construction project in Shuanglong Services Cluster, Hengwu Road and Hengliu Road, Longli County, Guizhou undertaken by the Company.
Entrusted Construction Project of Guizhou Logistics Harbor by Shenzhen International	The entrusted construction project of Guizhou Integrated Logistics Harbor undertaken by the Group with investment from Shenzhen International.

Definition

Guilong Land	The peripheral land of Guilong Project which were now successfully bid by the Group. The area of the land was approximately 2,490 mu (approximately 1,660,000 square meters), among them, Guilong Project Parcel No. I is approximately 1,000 mu.
Guilong Development Project	The further property development project conducted by the Group with an area of 700 mu of Guilong Project Parcel No. I (approximately 1,000 mu), which has been approved by the Board of Directors.
Meilin Checkpoint Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity of which is United Land Company and the land of which is approximately 96,000 square meters.
Water Planning Company	Water Planning & Design Institute Company Limited (深圳市水務規劃設計院有限公司), a limited liability company incorporated in the PRC.
Derun Environment	Chongqing Derun Environment Company Limited, a company incorporated in the PRC with limited liability.
Water Asset	Chongqing Water Asset Management Company Limited (重慶市水務資產經營有限公司), a company incorporated in the PRC with limited liability.
PPP (mode)	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. PPP mode ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
Green Passage Toll Free Policy	The policy to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. Since December 2010, such policy must be implemented in all expressway projects in PRC.
Standardisation Scheme	The scheme that toll fees of the expressways in Guangdong Province, starting from 1 June 2012, be standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and include subsequent adjustment made for the increase of the toll fees as a result of the implementation of aforesaid scheme.
Toll Free Scheme on Holidays	The policy that the toll fees of toll highways for passenger cars with seven seats or less be waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labour Day and National Day, and their consecutive days off. Such policy has been implemented in PRC since the second half of 2012.

PRC

The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

Note:

1. For principal business and abbreviation of the investee companies of the Company, please refer to the Group Structure in "Introduction to the Company" of this report.
2. For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at <http://www.sz-expressway.com>.

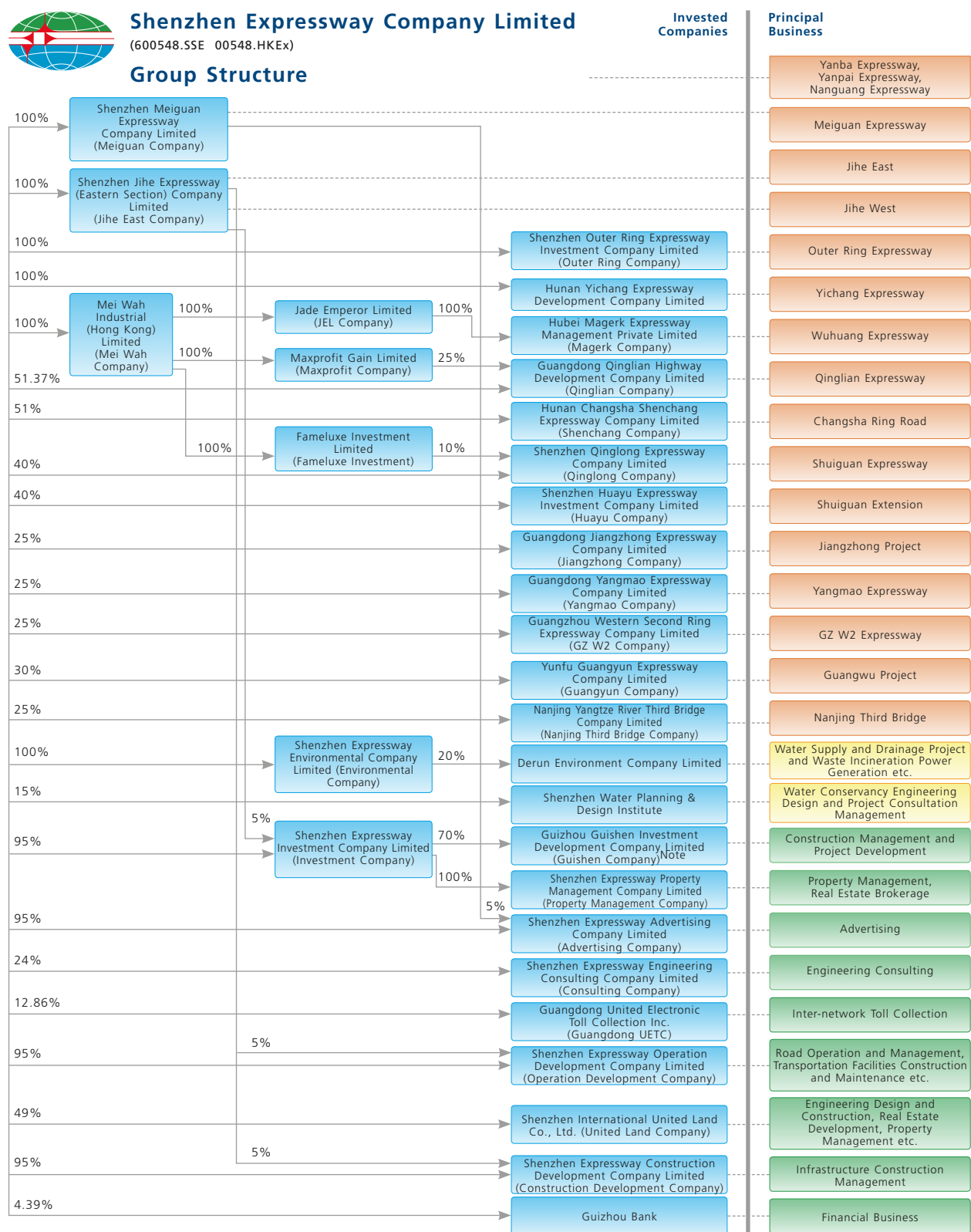
Introduction of the Company

The Company was incorporated in Shenzhen on 30 December 1996. It principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transport infrastructure. At present, other urban infrastructure mainly refers to the large environmental protection business areas including water environmental management and solid waste treatment. In addition, the Company provides outstanding construction management and highways operation management services for government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highways, the Company has launched in the related businesses such as project development and management, advertising, construction consulting, inter-network toll collection and financing.

The toll highways are the long cycle and large scale transportation facilities with capital-intensive feature. At this stage, the concession of toll highways in China is generally not more than 30 years. It has a long investment payback term but keeps a relative stable income. As at the end of the Reporting Period, the Company operated and invested in a total of 17 toll highway projects, and the mileage of the highways invested by the Company (on equity basis) is approximately 526km.

A total of 2,180,770,326 ordinary shares are issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and 34.28% of the total share capital of the Company respectively. XTC Company, one of the promoters of the Company and currently a wholly-owned subsidiary of Shenzhen International (stock code: 00152) which is listed on HKEx, currently holds approximately 30.03% of the Company's shares and is the largest shareholder of the Company. Shenzhen International has been the indirect controlling shareholder of the Company which holds over 50% of the Company's shares since December 2008.

As at the Reporting Date, the Group's investee companies (including their abbreviations) and business structure are as follows:



Note: As at the end of the Reporting Period, Guishen Company holds the following wholly-owned subsidiaries: Guizhou Shenzhen Expressway Property Company Limited (Guizhou Property) and Guizhou Shengbo Property Company Limited (Guizhou Shengbo); holds 49% equity in Guizhou Hengtongli Property Company Limited (Guizhou Hengtongli).
Guizhou Property Company holds the following wholly-owned subsidiaries: Guizhou Yuelong Investment Company Limited (Guizhou Yuelong), Guizhou Hengfengxin Property Company Limited (Guizhou Hengfengxin), Guizhou Henghongda Property Company Limited (Guizhou Henghongda), Guizhou Yehengda Property Company Limited (Guizhou Yehengda).

Financial Highlights

I. Principal Financial Data and Financial Indicators for the Reporting Period

Item (Unit: RMB)	2017 Interim (Unaudited)	2016 Interim (Unaudited)	Change (%)
Revenue	2,108,385,017.98	2,063,128,149.44	2.19
Net profit attributable to owners of the Company	741,730,838.13	614,904,007.57	20.63
Net profit attributable to owners of the Company – excluding non-recurring items	713,531,127.69	518,574,629.12	37.59
Net cash flows from operating activities	1,162,162,186.34	904,108,048.60	28.54

Item (Unit: RMB)	As at 30 Jun 2017 (Unaudited)	As at 31 Dec 2016 (Audited)	Change (%)
Owners' equity attributable to owners of the Company	12,932,915,290.91	12,674,475,959.27	2.04
Total assets	36,444,043,142.13	32,384,844,447.16	12.53

Item	2017 Interim (Unaudited)	2016 Interim (Unaudited)	Change (%)
Earnings per share – basic (RMB)	0.340	0.282	20.63
Earnings per share – diluted (RMB)	0.340	0.282	20.63
Earnings per share excluding non-recurring items – basic (RMB)	0.327	0.238	37.59
Return on equity – weighted average (%)	5.72	4.90	Increase 0.82 pct.pt
Return on equity excluding non-recurring items – weighted average (%)	5.51	4.13	Increase 1.38 pct.pt

Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2017 Interim	Note
Gain on from revaluation of the fair value of the equity interest held after consolidation of entity which is not under common control	27,504,389.73	During the Period, Shenchang Company was consolidated into the Group as an entity which is not under common control, and gains from revaluation of the fair value of the equity interest held prior to the acquisition date
The net income of trustee on entrusted operation	16,858,867.92	The net income from entrusted operation and management services provided to Coastal Company and Longda Company were received
The amortisation of compensation provided by concession grantor	10,783,395.41	The amortisation of compensations to Yanba Expressway and Yanpai Expressway provided by concession grantors for the period was recognised according to traffic volume method, which was disclosed as write-downs of the amortisation of the related concession intangible assets.
Gains arising from the purchase of wealth management products from banks	7,581,799.16	
The fair value loss on Forex Swap	-61,180,352.34	To lock in foreign exchange risks, a foreign exchange swap transaction for overseas debentures of USD300 million was entered into. During the Reporting Period, losses arising from changes in fair value of swap were recognised due to the appreciation of RMB.
Other non-operating income and expenditure excluding above items	25,209,111.30	The government resumed parts of the land use rights of Jihe East, and relevant compensations were recognised in non-operating income.
Minority shareholder's interest effects	-430,617.41	
Income tax effects	1,873,116.67	
Total	28,199,710.44	

II. Financial Highlights for Five Years

Item (Unit: RMB million, unless otherwise stated)	2016	2015	2014	2013	2012
Revenue	4,532	3,421	3,620	3,279	3,135
Of which: Toll revenue	3,680	3,014	3,008	2,898	2,726
Profit before interests and tax	2,251	2,162	3,499	1,521	1,581
Net profit	1,169	1,553	2,187	720	685
Net cash inflows from operating activities	2,127	1,772	1,794	1,761	1,531
Net cash inflows from operating activities and cash return on investments	2,410	1,942	1,889	1,854	1,617
Interest covered multiple (Times)	3.56	4.38	6.57	2.44	2.42
Earnings per share (RMB)	0.536	0.712	1.003	0.330	0.314
Cash dividends per share (RMB)	0.22	0.34	0.45	0.16	0.13

Item (Unit: RMB million, unless otherwise stated)	As at 31 Dec 2016	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2013	As at 31 Dec 2012
Total assets	32,385	31,671	24,329	22,840	24,209
Total liabilities	17,673	16,710	11,209	11,601	13,336
Total equity	14,711	14,961	13,120	11,239	10,873
Debt-to-asset ratio (%)	54.57%	52.76%	46.07%	50.79%	55.09%
Gross liabilities-to-equity ratio (%)	120.14%	111.69%	85.43%	103.22%	122.66%
Net borrowings-to-equity ratio (%)	59.12%	47.42%	51.78%	73.03%	79.18%
Net assets per share (RMB)	5.81	5.67	5.41	4.57	4.37

◆ Description of principal financial ratios

Profit before interests and tax	=	Net profit + Income tax expenses + Interest expenses
Net cash inflows from operating activities and cash return on investments	=	Net cash flows from operating activities + Cash received from disposal of investments + Cash received from returns on investments
Interest covered multiple	=	Profit before interests and tax/Interest expenses
Debt-to-asset ratio	=	Total liabilities/Total assets
Gross liabilities-to-equity ratio	=	Total liabilities/Total equity
Net borrowings-to-equity ratio	=	(Total amount of borrowings – Cash and cash equivalents)/Total equity



Management Discussion and Analysis

Business Review 015

Financial Analysis 027

Outlook and Plans 042



Management Discussion and Analysis



In order to fully unleash the potential of the Group's talents and technological resources and enhance the market competitiveness and marketability of various business segments of the Company, in addition to upgrading and consolidating the core business of toll highway, the Group adheres to a market-oriented, specialised and industrialised approach to adjust and integrate its internal organisational structure and functions. As at the Reporting Period, the Group has gradually established four major business platforms, namely the Investment Company, a company principally engages in the business of expanding infrastructure construction market as well as joint comprehensive development of land; the Operation Development Company, a company principally engages in the output of road operation and maintenance management services; the Environmental Company, a company principally engages in the expansion of businesses relating to the environmental protection industry; and the Construction Development Company, a company principally engages in the provision of project construction management services. Through these four platform companies, the Group will give full play to its own competitive advantages in operation of infrastructure as well as infrastructure management and integrated management so as to expand its business sectors to construction and operation services of urban and transport infrastructure and joint comprehensive development of linked land. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain and develop transportation planning, design consulting, operation maintenance, intelligent transportation system, finance and other service-oriented businesses. In addition, the Group prudently seeks opportunities for cooperation with leading and branded enterprises of the environmental protection industry to enter the relevant environmental protection business sector from a high starting point, thereby gradually developing the Group's professional competitiveness in certain environmental protection segments and striving for greater rooms for the development of the Group's operation.

I. Business Review

At this stage, the Group's revenues and profits are mainly derived from toll highway operations and investments. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management as well as advertising, engineering consulting, inter-network toll collection and financial business, etc. and is gradually expanding into the macro environmental protection business sector through methods such as investment and founding, cooperation, merger and acquisition. The principal business of the Group is set out as follows:

Shenzhen Expressway Company Limited		
Toll Highway Business		Entrusted Management and Other Infrastructure Development Project Development and Management Environmental Business Other Businesses
Shenzhen Region:		
◆ Meiguan Expressway	100%	
◆ Jihe East	100%	
◆ Jihe West	100%	
◆ Yanba Expressway	100%	
◆ Yanpai Expressway	100%	
◆ Nanguang Expressway	100%	
◆ Shuiguan Expressway	50%	
◇ Shuiguan Extension	40%	
Other regions in Guangdong Province:		
◆ Qinglian Expressway	76.37%	
◇ Yangmao Expressway	25%	
◇ Guangwu Project	30%	
◇ Jiangzhong Project	25%	
◇ GZ W2 Expressway	25%	
Other Provinces in the PRC:		
◆ Wuhuang Expressway	100%	
◆ Changsha Ring Road	51%	
◆ Yichang Project	100%	
◇ Nanjing Third Bridge	25%	
		- Advertising - Engineering Consulting - Inter-network Toll Collection - Financial business
		Icon: ◆ Consolidated project ◇ Non-consolidated project

During the Reporting Period, the Group recorded revenue of approximately RMB2,108 million, representing a YOY increase of 2.19%, of which toll revenue of approximately RMB1,957 million, entrusted management services revenue of approximately RMB35 million, real estate development revenue of approximately RMB56 million, advertising and other revenue of approximately RMB61 million, accounted for 92.81%, 1.66%, 2.65% and 2.88% of the total revenue of the Group respectively.

Management Discussion and Analysis

(I) Toll Highway Business

1. Analysis of Operating Environment

(1) *Economic environment*

During the first half of 2017, the GDP of the PRC recorded a YOY increase of 6.9%. The national economy has overall maintained stability with steady progress. Guangdong Province and Shenzhen recorded YOY growth of 7.8% and 8.8% in their regional GDPs respectively, which were higher than the national average. The regional economy was relatively active and conducive to the general growth of the regional transportation and logistics demand via highway. During the first half of 2017, the container throughput at Shenzhen ports witnessed a YOY increase of 3.64%, of which the container throughput of Yantian Port experienced a YOY increase of 4.43%, thus producing a positive impact on Jihe Expressway, Yanba Expressway and Yanpai Expressway of the Group. Under the combined effect of various positive factors in the macro and regional economic environment, the Group's overall operational performance in toll highways maintained stable during the Reporting Period. Source of data: Government statistics information website.

(2) *Policy environment*

There is no material change in the policies of toll highway industry during the first half of 2017.

Base on the original toll-by-weight policy for trucks, the *Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles* (Ministry of Transport 2016 No. 62) (the "Administrative Provisions") have been implemented nationwide starting from late September 2016. The new Administrative Provisions set more stringent determination criteria for over-limit and overload with more stringent penalties. For illegal behaviours relating to oversize and overweight, financial penalties will be imposed depending on the nature, scenario and damage of such illegal behaviours. Where a criminal offence is constituted, the offenders will be pursued for criminal liabilities according to the laws. In addition, related departments will establish credit record for over-limit and overloading behaviours and a joint working mechanism for law enforcement, pursuant to which joint punishments will be imposed on good carriers committed serious offences in relation to over-limit or overloading. The implementation of the new Administrative Provisions has a negative impact on traffic volume of trucks and toll revenue of the Group, however, it has a positive effect on the comprehensive governing of over-limit and overloaded vehicles, maintaining the safety of roads and bridges, decreasing the number of traffic accidents, reducing road maintenance fee and lengthening the useful life of the roads.

In recent years, in order to promote structural reform of the supply side and facilitate the reduction of costs and improvement of efficiency of the logistics industry, some provinces have implemented preferential toll policies successively to provide different range of discounted rates for legally loaded trucks using electronic payment methods. Such policies have varying effects on toll revenues of the Group's toll highway projects in different regions. Moreover, the Standardisation Scheme implemented by the Guangdong Province and the nationwide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy in recent years still posed considerable negative impact on the toll revenue of the projects. However, the impact on YOY changes of projects' revenue has been eliminated generally.

2. Business Performance and Analysis

During the first half of 2017, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested generally continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) ⁽¹⁾			Average daily toll revenue (RMB'000)		
	2017 Interim	2016 Interim	YOY	2017 Interim	2016 Interim	YOY
Guangdong Province – Shenzhen Region:						
Meiguan Expressway ⁽²⁾	87	77	12.9%	324	283	14.5%
Jihe East	257	237	8.6%	1,882	1,653	13.8%
Jihe West	207	189	9.6%	1,657	1,561	6.2%
Shuiguan Expressway	219	221	-0.9%	1,696	1,612	5.2%
Shuiguan Extension	99	91	8.7%	296	285	3.9%
Guangdong Province – Other Regions:						
Qinglian Expressway	41	36	13.9%	2,056	1,888	8.9%
Yangmao Expressway	48	45	8.4%	1,791	1,794	-0.2%
Guangwu Project	36	39	-7.0%	818	1,001	-18.3%
Jiangzhong Project	137	112	22.5%	1,192	1,086	9.7%
GZ W2 Expressway	65	54	19.5%	1,133	1,010	12.2%
Other Provinces in the PRC:						
Wuhuang Expressway ⁽³⁾	50	44	15.1%	1,028	923	11.3%
Changsha Ring Road ⁽⁶⁾	29	24	21.1%	336	275	22.1%
Nanjing Third Bridge	33	28	18.0%	1,280	1,092	17.2%

Note:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented from 24:00 on 31 March 2014 and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.
- (3) The Group further acquired 45% interest in JEL Company on 2 December 2016, and thereby obtained 100% equity in Wuhuang Expressway.
- (4) According to the agreement signed between the Company and Shenzhen Transport Commission, Yanba Expressway, Yanpai Expressway and Nanguang Expressway should become toll free from 0:00 on 7 February 2016. The Company calculated and recognised the revenue according to the agreed method under the agreement.
- (5) As the Group completed the acquisition of 100% equity interest in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017. The average daily mixed traffic volume and the average daily toll revenue of the Yichang project in June 2017 were 45,000 vehicles and RMB1,048,000 respectively.
- (6) Shenchang Company has been consolidated into the consolidated financial statements of the Group since 1 April 2017. The main business of Shenchang Company is operation and management of Changsha Ring Road.

The effect of factors such as economic environment and policy changes on highway projects varied, and the operational performance varied among different highway projects due to differences in the function positioning, operation date of respective projects and economic development along the highways. The operational performances of toll highways were also affected, both positively and negatively, by factors such as changes in surrounding competitive or synergistic road networks, repairs to connected or parallel roads and implementation of urban traffic organisation plans as well as other transportation methods. In addition, the construction or maintenance works of the projects may also have impact on their then operational performance.

Management Discussion and Analysis

(1) Guangdong Province – Shenzhen Region

During the Reporting Period, the total toll revenue of toll highway projects of the Group in Shenzhen region recorded a YOY growth. With the continuous improvement of the transportation network in Shenzhen, coupled with the cancellation of toll collection of certain expressways and local roads, the traffic distribution and composition of the road network in Shenzhen have also changed. After the adjusted toll collection scheme on the Meiguan Expressway was implemented in April 2014, toll-free section of Meiguan Expressway not only stimulated the growth of traffic volume of the toll section itself, but also promoted the operational performance of the connecting Jihe Expressway. Toll-free policy has been implemented for Yanpai Expressway, Yanba Expressway and Nanguang Expressway from 00:00 on 7 February 2016. The Company calculates and recognises revenues from these highway projects according to the method specified in the agreement. The growth of traffic volume of these toll-free projects also drove the traffic growth of the connecting Jihe Expressway and Shuiguan Expressway. In addition, the *Provisions on the Administration of Use of Roads by Overloaded Transportation Vehicles* has been implemented nationwide since late September 2016. The implementation of such policy has caused negative impact on the freight volume of transportation vehicles and toll revenue of Jihe Expressway and Shuiguan Expressway.

(2) Guangdong Province – Other Regions

The economic growth in the areas along the expressways can help boosting the operational performance of Yangmao Expressway. However, as such section is a major trunk route connecting the west of Guangdong to the provinces in the southwest of China, the implementation of stringent policy governing over-limit and overloaded vehicles poses great impact on traffic volume of trucks. During the Reporting Period, the average daily traffic volume of Yangmao Expressway recorded a slight YOY increase, while its toll revenue recorded a slight YOY decrease. Benefited from the positive implications of factors such as the economic growth in the areas along the expressways and the diversion of certain vehicles to GZ W2 Expressway following the implementation of two-way toll collection in Guanghe Bridge, Nanhai District, Foshan since 1 March 2017, both the average daily traffic volume and toll revenue of GZ W2 Expressway witnessed a satisfactory YOY growth during the Reporting Period.

Jiangluo Expressway (Jiangmen – Luoding) Phase II commenced operation on 28 December 2016. As it is basically parallel to Guangwu Project, a great diversion impact has been brought to Guangwu Project, however, it has driven the growth of traffic volume of Jiangzhong Project. Officially commenced operation on 1 January in 2017, Guangzhu Central Line Phase II (Delta Expressway) has been effectively connected to the completed Guangzhu Central Line Phase I (Fuyuan Road), which formed an expressway network comprised of regional highways, thereby bringing a great diversion impact to Jiangzhong Project. However, due to the positive impact of improved network resulting from the commencement of operation of Guangzhongjiang Expressway Phase I (Jiangmen Hetang – Longxi) and Jiangluo Expressway, and the maintenance of neighbouring roads and bridges, the average daily traffic volume and toll revenue of Jiangzhong Project recorded a satisfactory YOY growth during the Reporting Period.

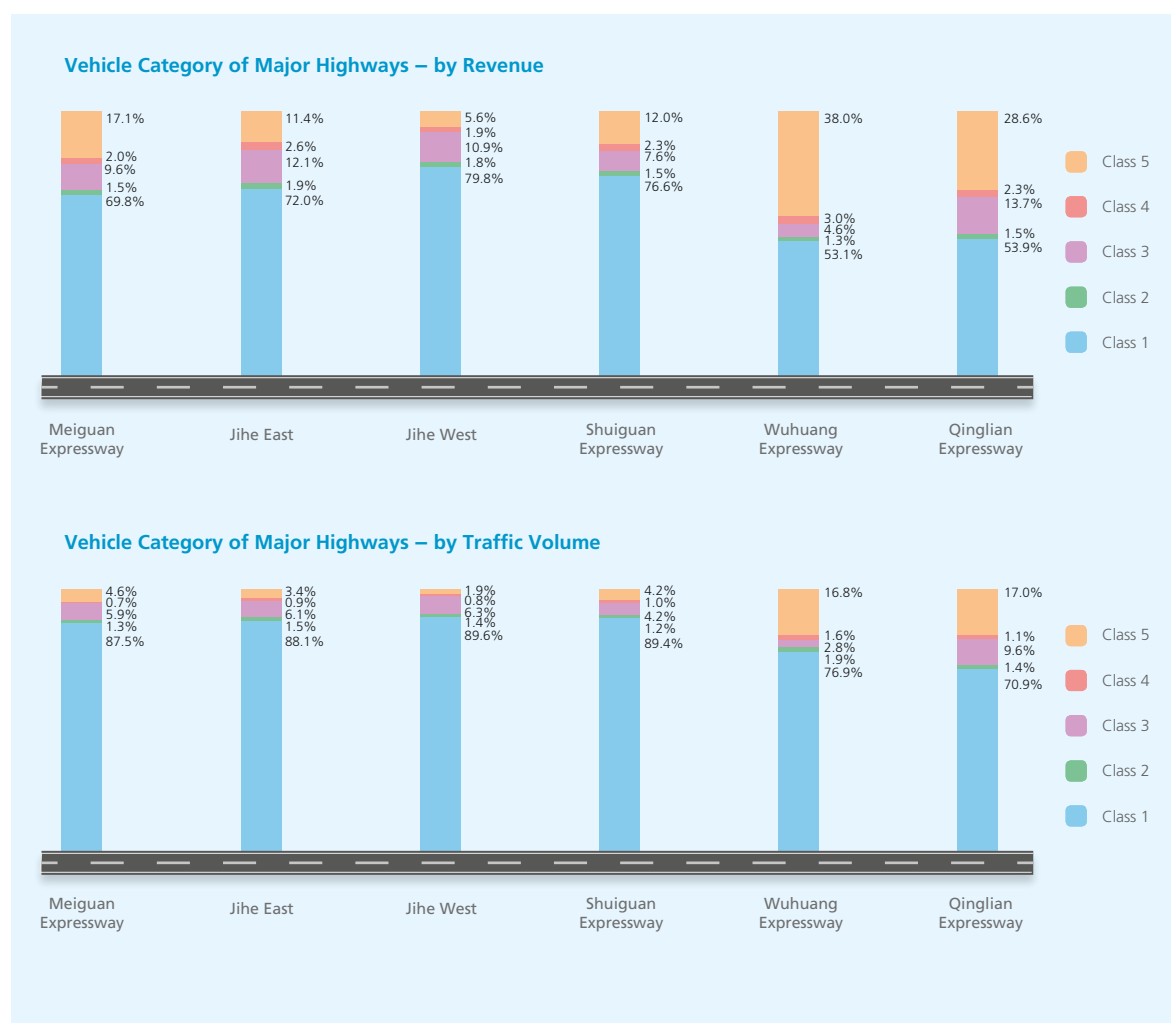
Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the dual line of G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway), and Erguang Expressway (Lianhuai Section) (Lianzhou – Huaiji) were completed and opened in September 2014 and at the end of December 2014 respectively. As the said expressways are close to Qinglian Expressway and the route connecting Erguang Expressway to Qinglian Expressway is still under construction, some diversion impact has been brought to Qinglian Expressway. The expansion of Guangqing Expressway has been completed and commenced operation at the end of September 2016, resulting in improvement of the road network which has helped improving the traffic efficiency and service capability of the entire channel. Meanwhile, Qinglian Company actively carried out promotion of routes and implemented multi-level marketing strategy, which began to take effect and hence gradually reduced the impact of diversion. The operational performance of Qinglian Expressway remained stable during the Reporting Period.

(3) Other Provinces

During the Reporting Period, benefited from the rapid growth of vehicle ownership in the surrounding cities and significant growth of traffic volume of trucks, the operational performance of Wuhuang Expressway was good. However, the diversion impact arising from further commencement of operation of neighbouring road network on Wuhuang Expressway still existed. Benefiting from the positive implications of various factors such as the economic development of the neighbouring regions and Jiangbei New District of Nanjing, closure of the Nanjing Yangtze River Bridge due to construction works and implementation of two sets of policy in Jiangsu Province which encourage travelling of trucks, the traffic volume of large truck on Nanjing Third Bridge has grown significantly, boosting the operational performance of Nanjing Third Bridge during the Reporting Period. Benefiting from the positive impact of various factors including the improvement of road network, implementation of toll-by-weight, implementation of traffic control measures of neighbouring roads and the business growth of enterprises along the highway, the toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth. In addition, Yichang Company has been included in the Group's consolidated financial statements since 15 June 2017. Benefiting from the economic growth of the Northwest regions of Hunan, the operational performance of Yichang Expressway was satisfactory during the Reporting Period.

Reference Information

Diagram showing the vehicle category of major highway projects of the Group during the first half of 2017:



Management Discussion and Analysis

3. Business Management and Upgrade

◆ ***Strengthen Operation Management to Improve Service Efficiency***

During the Reporting Period, the Group has closely monitored the operation after the implementation of ETC system nationwide and constantly optimised the standardised operation management modules. The Group has also furthered the reform and upgrade of the software and hardware of its tolling system to improve quality and work efficiency of operation service through delicacy management. With the continuous increase in car ownership, traffic volume will surge during holiday seasons, thus exerting tremendous pressure on road management and traffic relief. During the Reporting Period, the operation management department has normalised the management mechanism of emergency traffic relief system for peak hours and worked out the details of the emergency relief management procedures and joint mechanism, enhancing trainings and emergency response exercise for staff and doing well preparation of emergency plans, facilities and materials in place for important holidays. Moreover, the Group has made full use of the database of the ETC system to establish a standardised terminal operation model and an audit management mechanism, regularly fighting against toll evasion, supervising the green passageway and inspecting overloaded vehicle so as to minimise the loss of toll revenue.

◆ ***Deepen the Marketing of Road Network and Actively Attract Traffic***

Relying on the database for traffic distribution of the road networks and vehicle models across Guangdong Province, and by way of site inspections, route comparison and data analysis, the Group continuously tracked the changes of road networks and travelling directions of the vehicles in the region, and formulated and implemented targeted marketing and promotional measures to promote the advantages of road networks and projects through various ways, thereby attracting more drivers to use the roads of the Group and facilitating the growth of the toll revenue. During the Reporting Period, Qinglian Company has focused on the Spring Festival marketing, holiday marketing and “the marketing of the integration of traffic and tourism”, boosted traffic volume by promoting the advantages of road network and implementing tourism co-marketing. Meanwhile, it has continuously paid close attention to and analysed the change of traffic and vehicle models in each section of Guangle Expressway and Erguang Expressway so as to adopt effective marketing strategies to attract traffic. By adopting mobile applications and traditional media, Magerk Company carried out multifaceted promotion on the advantages of Wuhuang Expressway in terms of its routes, service and price, with a view to attracting traffic. Leveraging on the neighbouring well-connected road networks such as Jiangluo Expressway, Jiangzhong Expressway commenced promotion on road networks to boost traffic volume. In addition, during the Reporting Period, based on the Three Projects and Longda Expressway, both are toll free, the Group continued to design economical travelling routes and carried out marketing activities and promotion through various channels, which has boosted the growth of traffic volume in the roads of the Group that are connected to toll free projects.

◆ ***Strengthen the Maintenance and Management of Highway Property and Improve Road Conditions***

The Company conducted regular quality checks on highways and bridges, and frequent inspections on highway administration. It has also built up a joint mechanism between road assets and traffic operational information. The aforementioned arrangements enable the Company to take timely measures to remove and rectify the unsafe factors in highways or take maintenance measures to better ensure the quality, safety and free traffic of highways. During the Reporting Period, the Group finalised the design for the reinforcement project of single pier bridge and developed a model for bridge assessment. The project is scheduled to commence during 2017 and is expected to complete by the end of 2017. The relevant design and assessment for bridge deficiency improvement projects are also in progress. In addition, according to the actual situation and needs, the Group has conducted various small special projects such as slope reinforcement and toll station expansion so as to ensure the safety and clear passage for highways. The Company has established a regular assessment of highway maintenance planning and a dynamic adjustment mechanism to continuously improve and optimise the technical solution for maintenance so as to ensure the excellent technical conditions of highways and extend the service life of the highways, thus effectively reducing the overall highway maintenance cost.

4. Business Development

The construction of the main project of Outer Ring Project invested by the Group has fully commenced. As at the end of the Reporting Period, the Group completed approximately 60% of land resumption, approximately 38% of housing demolition and relocation in aggregate, while it also completed 13.2% of the image of civil works. Outer Ring Project is a toll highway project invested by the Group according to the PPP model. The Group will invest RMB6.5 billion in return of 25 years' of income from Section A of Outer Ring and bear operating costs, related taxes and risks. SDCDGC, which is established and wholly-owned by the Shenzhen Government, would bear or raise money for the excess portion. The investment model effectively reaches the balance between the public welfare features of infrastructure and the reasonable return on business investment. It provides the public with high-quality services in the most cost-efficient way so as to achieve a win-win-win result for society, the government and the Company. For details of Outer Ring Project, please refer to the relevant contents on Company's announcement dated 18 March 2016, the circular dated 25 April 2016.

During the Reporting Period, the Group entered into an equity transfer agreement with Ping An Innovation to acquire its 100% equity interest in Yichang Company (which is primarily engaged in the operation and management of Yichang Expressway) at a consideration of RMB1.27 billion. Yichang Expressway (Yiyang to Changde) is a two-way expressway with four lanes, of which the main lane has a length of 73.1 km. It is not only a section of the connection line from Zhangjiajie to Changsha (G5513) of the G55 Erguang Expressway, the sixth vertical line of the national highway network, but also a main component of the skeleton of the Hunan Expressway Plan of "five vertical and seven horizontal". Yichang Expressway is situated in a superior location with good investment value. Yichang Expressway has maintained good business records with steady growth of traffic volume and toll revenue since its commencement of operation. The obtaining of equity interest in Yichang Expressway through acquisition of Yichang Company at a reasonable consideration helps the Company to expand its asset scale and profit base, increase stable cash flow, and further strengthen its core advantages in the investment, management and operation of the highways. As at the end of the Reporting Period, the filings and transfer of equity interest in Yichang Company, change of industrial and commercial registration and other works have completed successfully and it has been consolidated into combined financial statements of the Group since 15 June 2017. For details, please refer to the Company's announcement dated 20 January 2017 and the relevant contents in "Significant Events" of this report.

Management Discussion and Analysis

(II) Entrusted Management and the Development of Other Infrastructure

Relying on the core business of toll highway and building on relevant management experience and resources, the Group has launched or engaged in the business of entrusted management. The entrusted construction management business and the entrusted operation management business, also known as entrusted construction business and entrusted operation business, are currently one of the major businesses of the Group apart from toll highway business. Leveraging its expertise and experience accumulated in the relevant areas throughout these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation methods as agreed with the entrusting parties through provision of services relating to construction management and toll highway operation management. In addition, the Group also attempts to use its own financial resources and financing capability to participate in the construction and development of local infrastructure so as to obtain reasonable revenues and returns.

1. Entrusted Construction Business

During the Reporting Period, the Company has had entrusted construction projects in progress including Outer Ring Project, Cargo Organisation Adjustment Project and Coastal Phase II in Shenzhen region, as well as Resettlement Project Phase II, Entrusted Construction Project on Hengwu Road and Hengliu Road and Entrusted Construction Project of Guizhou Logistics Port of Shenzhen International in Longli, Guizhou, etc. At this stage, the Group's major work for the entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of revenue from each of the entrusted construction projects, push forward the completion and acceptance of the completed projects and proactively promote the development and cooperation in new markets and new projects.

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to "Business Development" above in this section. Coastal Phase II Project has accumulatively completed approximately 62% of land acquisition and approximately 41% of demolition area. The tender of road understructure, bridges and culverts has also been completed, and some of the contracted sections have already commenced construction. The construction of the four toll stations under the first batch of Cargo Organisation Adjustment Project is currently in progress and the construction of the second batch of toll stations has commenced the preliminary work in relation to submission for approval. Furthermore, the completion settlement and government audit of Meiguan Toll Station, Nanping Phase II, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road – Meiguan Expressway Joints Project were under way.

As at the end of the Reporting Period, the acceptance, handover, completion settlement and audit of the construction of Resettlement Project Phase II in Longli, Guizhou have been completed. The main work of Entrusted Construction Main Project on Hengwu Road and Hengliu Road in Longli, Guizhou was completed and accepted. The foundation work and 60% of the pipeline network of the Entrusted Construction Project of Guizhou Logistics Port of Shenzhen International have been completed and the installation of main steel structure was under way. The project is planned to be completed, passed the acceptance and delivered for use during the year.

2. Entrusted operation business

On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement. The Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the Reporting Period, each of the management tasks was smoothly carried out. The entrusted term was extended to 31 December 2018. The Company renewed the entrusted management contract with Coastal Company on 30 December 2016, with an entrustment period of three years from 1 January 2017 to 31 December 2019 and a management fee of RMB18 million each year. For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note V38 to the Financial Statement in this report.

3. Development and Management of Other Infrastructure

The Houmen Resettlement Area Project is still at the preliminary stage of applying for construction currently as the land of the project involves issues such as compensation for farmland occupied. As at the end of the Reporting Period, preliminary works of the project such as project establishment, survey and review, tender for design unit and environmental impact assessment have been completed. The Company is now proactively pushing forward the approval of adjustments to the overall planning of land use and construction feasibility study report, etc., and the design work will commence simultaneously.

On 30 December 2016, the Board approved the provision of construction and management services for the land levelling and related supporting projects regarding Shenzhen-Shanwei Special Cooperation Zone by Investment Company. As at the end of the Reporting Period, the on-site construction work on the reclaimed land of old river section of Jiajie Aluminum and Jinxinnong was basically completed, while the construction work on other land parcels was still in progress.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the relevant content in "Financial Analysis" below.

(III) Development of New Industries

With the relevant management experience and resources and in accordance with the deployment of development strategies for the current period, the Group prudently tries new business types such as the comprehensive development of land, urban renewal and environmental protection business, while paying close attention to and seizing the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion besides the main business as well as a beneficial supplement to revenue.

1. Development and Management of Land Projects

(1) Guilong Development Project

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land of Guilong Project will have greater potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively engaged in the land tenders within the development area of Guilong Project. From 2012 up to the Reporting Date, Guishen Company has successfully won the bid for the land with an area of approximately 2,490 mu (approximately 1,660,000 square meters) with a total consideration of approximately RMB837 million. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

Guishen Company is adopting a progressive development strategy by phases. It has conducted secondary self-development for certain land parcels acquired, which has an area of 300 mu (approximately 200,000 square meters). As at the end of the Reporting Period, a total of more than 140 sets of houses of Phase I Stage I of Guilong Development Project (also known as "Interlaken Town Project") (approximately 110 mu, equivalent to 70,000 square meters) have been sold, among which the handover of 135 sets of houses have been completed. Through multi-level project promotion and marketing by Guishen Company at the preliminary stage, Interlaken Town has established a favourable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. Currently, the main structure of Phase I Stage II (approximately 129 mu, equivalent to 86,000 square meters) has been topped out and the greening project is underway. The project is planned to be completed and passed the acceptance by the end of the year. As at the end of the Reporting Period, more than 150 sets of villas of Phase I Stage II of the project have been subscribed.

Management Discussion and Analysis

(2) *Urban Renewal Project*

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly contributed capital to establish United Land Company. Being the reporting entity and implementing entity of Meilin Checkpoint Renewal Project, the Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. The land of the Meilin Checkpoint Renewal Project is approximately 96,000 square meters, with residential and commercial purposes, a capacity building area of no more than 486,400 square meters (including public facilities) and a total land price of about RMB3.567 billion. The Group has completed the subsequent capital injection to United Land Company, with a total investment of RMB2.45 billion. United Land Company has acquired the land use right after it made all the land payments (including land transaction fees and others) as planned. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014 and 8 October 2014 and the circular dated 17 September 2014.

Apart from the abovementioned land premium of approximately RMB3.567 billion, the total costs for the Meilin Checkpoint Renewal Project Land also include relevant taxes, relocation compensation for the properties on the land, preliminary planning costs, etc. As of the end of the Reporting Period, United Land Company has basically completed the negotiation about the compensation for relocation and demolition with the operators and tenants of the existing properties on the land. The total compensation for relocation and demolition paid amounted to RMB1.35 billion. Enjoying a good location, the land price of the Meilin Checkpoint Renewal Project has certain advantages over the market price of the surrounding land, including higher investment value and more rooms for appreciation. The Company cooperates with Shenzhen International to carry out the project, so that it could meet the relevant requirements of Shenzhen government on entities carrying out urban renewal. This also enables both parties to seize the opportunities for urban development and renewal, and improve the overall corporate efficiency and shareholders' returns. The Company is actively conducting research on industry policy, exploring the methods for value realisation and liquidation of the land, as well as proactively promoting the introduction of cooperation parties with Shenzhen International, so as to realise the commercial value of the project in time.

(IV) **Environmental Protection Business and Other**

The Company's new development strategies clarify that in order to open up a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the macro environmental protection industry that takes water environment treatment and solid waste treatment as the main content while consolidating and enhancing the main business of toll highway.

1. Environmental Protection Business

On 30 December 2016, the Board approved Investment Company to participate in the Nanmen River Comprehensive Management Project ("Nanmen River Comprehensive Management Project") in the Shenzhen-Shanwei Special Cooperation Zone. In the case of a total investment of no more than RMB320 million, Investment Company and Zhongjiao Tianjin Waterway Bureau Co., Ltd (中交天津航道局有限公司) jointly participated in the investment, construction and management of the Nanmen River Comprehensive Management Project as a consortium. As at the end of the Reporting Period, the establishment of the project has been approved. The preliminary work of submission for approval such as the preliminary approval of land use of the project, construction feasibility study, environmental impact assessment and water and soil conservation have been pushed forward in good order. The construction of all river sections equipped with operation platform has commenced and some of the river sections have completed over 30% of the physical construction progress.

During the Reporting Period, the Group participated in the registration and competitive negotiations on the project of 50% capital increase of Water Planning Company organised by Shenzhen United Property and Share Rights Exchange ("SZ Property Exchange"). On 6 April 2017, the Company and SZ Property Exchange entered into the Transaction Confirmation Letter, confirming that the Company is the finalised Type A investor of the Water Planning Company Capital Increase Project and that it shall subscribe for 15% of the equity interest at a consideration of RMB10.315 per registered capital, totalling RMB61,890,000, upon the capital increase of Water Planning Institute. The relevant agreement in respect of the capital increase has been entered into on 13 July 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It processes 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time striving for expansion into the water environmental management field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental management and urban water planning, expand market channels, achieve complementary advantages along the industrial chain with related cooperating parties, thereby assisting the Company to rapidly enhance its competitiveness in market of water environmental management. For details, please refer to the Company's announcements dated 6 April 2017 and 13 July 2017 respectively and the relevant content in "Significant Events" in this report.

During the Reporting Period, Environment Company, a wholly-owned subsidiary of the Group, entered into the Equity Transfer Agreement with Water Asset in Chongqing, pursuant to which, Environment Company acquired 20% equity interest in Derun Environment from Water Asset at a consideration of RMB4,408,644,500. As Derun Environment is a comprehensive environmental enterprise with two major business segments, namely water treatment and waste incineration power generation, the Company believes that Derun Environment has stable profitability, abundant cash flow, strong scale advantages, regional competitive advantage and growth potentials. By acquiring Derun Environment's equity interest through Environment Company at a reasonable price, the Company can expand its environmental business and obtain a reasonable return on investment. On the other hand, the Company may also carry out in-depth cooperation with Derun Environment and complement each other's advantages in business development. For details, please refer to the Company's announcements dated 19 May 2017 and 25 May 2017, the circular dated 29 May 2017 and the relevant content in "Significant Events" in this report.

Management Discussion and Analysis

2. Other Businesses

The Group subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016 respectively. As at the end of the Reporting Period, the Group held a total of 426,000,000 shares of Bank of Guizhou. The equity interests held by the Group accounted for 4.39% of the total share capital of Bank of Guizhou after the capital increase. As Bank of Guizhou has a good cash dividend capability and a large space for development, the subscription for additional shares in Bank of Guizhou can optimise the Company's asset allocation and bring a good synergy to the Company's follow-up infrastructure investment and business operation in the relevant areas. For details of the investment income from Bank of Guizhou, please refer to relevant content in "Financial Analysis" below.

The Group has engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through Advertising Company, its wholly-owned subsidiary. In addition to operating and disseminating the self-owned media resources along the expressways, Advertising Company has also further developed outdoor media businesses of main urban roads and provided brand building and promotion plans for customers in recent years.

Consulting Company, held as to 24% by the Company, is an engineering consulting company with independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of project investment and construction. To support the development strategy of Consulting Company in the capital market, Consulting Company was de-consolidated from the Group's consolidated financial statements since 30 November 2016.

Guangdong UETC, held as to 12.86% by the Company, is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

During the Reporting Period, each of the above businesses, in general, proceeded smoothly and has met the Group's expectation. Limited by the scales or investment modes, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in note V38 to the Financial Statement in this report.

II. Financial Analysis

During the first half of 2017, the Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB741,731,000 (2016 Interim: RMB614,904,000), representing a YOY increase of 20.63%. This was mainly due to the income growth recorded by the toll highways operated and invested by the Group during the Reporting Period and the revenue contributed by newly acquired projects.

(I) Analysis of Main Business

1. Analysis of Changes in Related Items in the Financial Statements

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Changes (%)
Revenue	2,108,385	2,063,128	2.19
Cost of services	1,021,305	1,067,039	-4.29
Selling expenses	7,792	6,941	12.25
General and administrative expenses	40,516	41,324	-1.96
Financial expenses	234,215	270,756	-13.50
Gain or loss from changes in fair value	-61,180	—	N/A
Investment income	246,591	227,355	8.46
Income tax expenses	202,011	170,590	18.42
Net cash flows from operating activities	1,162,162	904,108	28.54
Net cash flows from investing activities	-5,059,121	-2,729,284	85.36
Net cash flows from financing activities	1,462,805	-1,231,271	N/A

Management Discussion and Analysis

2. Revenue

During the Reporting Period, the Group recorded revenue of RMB2,108,385,000, representing a YOY increase of 2.19%. Excluding the effect of de-consolidating the Consulting Company from the Group's financial statements, the Group recorded a YOY increase of 9.37%, which was mainly due to the growth of toll revenue of the existing ancillary toll highways and the revenue contributed by the consolidation of Shenchang Company and Yichang Company, in which toll revenue of RMB1,956,878,000, as the main source of revenue of the Group, accounted for 92.81% of the Group's revenue. A detailed analysis of revenue is set out below:

Unit: '000 Currency: RMB

Revenue item	2017 Interim	Percentage of total (%)	2016 Interim	Percentage of total (%)	YOY change (%)	Description
Revenue from main business – toll highways	1,956,878	92.81	1,765,702	85.58	10.83	(1)
Revenue from other businesses – entrusted management services	34,929	1.66	97,827	4.74	-64.30	(2)
Revenue from other businesses – real estate development	55,783	2.65	–	–	N/A	(3)
Revenue from other businesses – engineering consulting	–	–	135,404	6.56	N/A	(4)
Revenue from other businesses – advertising and others	60,795	2.88	64,195	3.12	-5.30	
Total revenue	2,108,385	100.00	2,063,128	100.00	2.19	

Description:

- (1) During the Reporting Period, toll revenue recorded a YOY increase of 10.83%, in which the contribution from toll revenue of RMB49,403,000 during the Reporting Period resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement since 1 April 2017 and 15 June 2017 respectively. Save for the effect for this factor, the Group's toll revenue of the existing ancillary toll highways recorded a YOY increase of 8.03%, which is mainly due to the significant growth of toll revenue of Jihe Expressway and Qinglian Expressway benefitting from the effect of factors such as the organic growth of traffic volume, the improvement of neighboring road networks and the induced growth of traffic volume after the implementation of the toll-free policy for the Three Projects, and other ancillary toll highways also recorded increases to some extent. In addition, pursuant to the agreement on toll adjustments for the Three Projects signed by the Company and the Transport Commission of Shenzhen Municipality, the Company recognised a compensation of RMB343,126,000 for toll revenue of the Three Projects according to the agreement during the Reporting Period. Details of analysis of the operational performance of various projects during the Reporting Period are set out in the Business Review above. The income presented based on detailed items is set out in section (III) below.
- (2) During the Reporting Period, revenue from entrusted management services recorded a YOY decrease, mainly due to the fact that the agreement for entrusted operation management service of Coastal Phase I was entered into by the Company during the corresponding period last year, pursuant to which revenue from entrusted management services of RMB42,453,000 from 1 January 2014 to 30 June 2016 was recognised. In addition, during the corresponding period last year, the Company signed a joint investment and construction agreement of Section A of Outer Ring with local government. The Company was responsible for construction management of Section A of Outer Ring and revenue from entrusted construction management service of RMB49,692,000 was recognised.
- (3) During the Reporting Period, Guilong Development Project was completed and part of the commodity housings were delivered. Revenue from such part of real estate development was recognised accordingly.
- (4) Consulting Company was de-consolidated from the Group's consolidated financial statements since 30 November 2016.

3. Cost of Services

During the Reporting Period, the cost of services of the Group amounted to RMB1,021,305,000 (2016 Interim: RMB1,067,039,000), representing a YOY decrease of 4.29%. Excluding the impact of change of consolidation scope in respect of the above three companies, the Group's cost of services recorded a YOY increase of 4.67%, which was mainly due to the YOY increase in the depreciation and amortization expenses of ancillary toll highways during the Reporting Period. The detailed analysis of cost of services is set out below:

Unit: '000 Currency: RMB

Industry	Cost items	Breakdown by industry					Description
		2017 Interim	Percentage of total cost for 2017 Interim (%)	2016 Interim	Percentage of total cost for 2016 Interim (%)	Percentage of YOY change (%)	
Cost of main business – toll highways	Employee expenses	131,780	12.90	124,973	11.71	5.45	(1)
	Road maintenance expenses	50,750	4.97	64,159	6.01	-20.90	(2)
	Depreciation and amortisation	649,834	63.63	582,939	54.63	11.48	(3)
	Other business costs	95,780	9.38	93,496	8.77	2.44	
	Sub-total	928,144	90.88	865,567	81.12	7.23	(4)
Cost of other businesses – entrusted management services		18,582	1.82	55,561	5.21	-66.56	(5)
Cost of other businesses – real estate development		39,883	3.91	N/A	N/A	N/A	(6)
Cost of other businesses – engineering consulting		–	–	109,128	10.23	N/A	(7)
Cost of other businesses – advertising and others		34,696	3.39	36,783	3.44	-5.67	
Total of cost of services		1,021,305	100.00	1,067,039	100.00	-4.29	

Description:

- (1) Mainly represents the salary rise of toll collection staff, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in a YOY increase in the employee expenses.
- (2) Mainly represents the special maintenance expenses of Jihe East and Wuhuang Expressway incurred in the corresponding period of last year. The expense during this period represented a YOY decrease.
- (3) Mainly represents the adjustment of unit amortisation amount of the concession intangible assets of Wuhuang Expressway on 1 October 2016, the increase in traffic volume of each of the ancillary toll highways, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in an increase in the costs of depreciation and amortisation.
- (4) Costs presented based on detailed component are set out in Point (3) below.
- (5) Cost of entrusted construction management services mainly represents employee expense related to the project management and other service cost payable based on the results of audit conducted by the government on the projects and the contractual commitment. During the Reporting Period, the costs of the entrusted management services decreased, which was mainly due to the recognition of the entrusted construction management cost of Section A of Outer Ring in the corresponding period of last year.

Management Discussion and Analysis

- (6) During the Reporting Period, Guilong Development Project carried forward part of the real estate development cost.
- (7) Consulting Company was de-consolidated from the Group's consolidated financial statements since 30 November 2016.

4. Expenses

During the Reporting Period, the Group's selling expenses amounted to RMB7,792,000 (2016 Interim: RMB6,941,000), representing a YOY increase of 12.25%. The increase was mainly attributable to the increased marketing expenses of Guilong Development Project.

During the Reporting Period, the Group's general and administrative expenses amounted to RMB40,516,000 (2016 Interim: RMB41,324,000), almost unchanged as compared with the corresponding period of last year.

The Group's financial expenses during the Reporting Period amounted to RMB234,215,000 (2016 Interim: RMB270,756,000), representing a YOY decrease of 13.50%, which was mainly due to the YOY increase in exchange gains from USD debentures arising from RMB appreciation during the Reporting Period. The Company issued 300 million US dollars 5-year overseas debentures on 18 July 2016. To mitigate risks related to exchange rate, the Company had entered into a foreign exchange swap transaction to lock in foreign exchange risks at the beginning of the bond issuance process. For details of the foreign exchange swap transaction, please refer to Point (2) below. During the Reporting Period, despite the increase in the average borrowing scale of the Group, interest expenses recorded a decrease as a result of the decrease in average capital cost. For details of the changes in borrowing scale and the capital cost, please refer to Point (4) below. The detailed analysis of financial expenses is as follows:

Financial expenses item	Unit: '000 Currency: RMB		
	2017 Interim	2016 Interim	Change (%)
Interest expense	313,604	322,336	-2.71
Less: Interest capitalised	8,028	1,274	529.93
Interest income	27,919	51,066	-45.33
Add: Exchange gains and others	-43,442	760	N/A
Total financial expenses	234,215	270,756	-13.50

During the Reporting Period, the Group's income tax expenses amounted to RMB202,011,000 (2016 Interim: RMB170,590,000), representing a YOY increase of 18.42%, which was mainly due to the increase in taxable income during the Reporting Period.

5. Investment Income

During the Reporting Period, the Group recorded investment income of RMB246,591,000 (2016 Interim: RMB227,355,000), representing a YOY increase of 8.46%. After excluding the effect of the recognition of investment income of RMB65,209,000 from the transfer of the equity interests and creditors' rights of a subsidiary by Guizhou Property in the corresponding period of last year, the investment income increased by 52.08% YOY, which was mainly due to the gain of RMB27,504,000 arising from re-measurement of the fair value of the equity interest held prior to the acquisition date due to consolidation of Shenchang Company, the addition of investment income of RMB18,036,000 from Derun Environment, and the increase in share of investment income from Bank of Guizhou and that from the Group's investment in toll highways operated by associates. During the Reporting Period, save for Guangwu Project which recorded a decrease in revenue as affected by the diversion caused by the commencement of operation of surrounding roads, toll revenues from other toll highways operated by joint ventures and associates invested by the Group recorded growth to a certain extent or remained basically the same. The detailed analysis of the share of investment income from toll highways operated by joint ventures and associates is as follows:

Unit: '000 Currency: RMB			
Item	2017 Interim	2016 Interim	Amount of changes
1. Investment income attributable to joint ventures and associates:			
Yangmao Expressway	41,732	44,608	-2,876
Nanjing Third Bridge	25,330	20,001	5,329
GZ W2 Expressway	19,720	14,403	5,317
Guangwu Project	18,683	22,870	-4,187
Jiangzhong Project	11,404	5,884	5,520
Changsha Ring Road ^{Note 1}	7,080	12,475	-5,395
Shuiguan Extension	3,922	2,234	1,688
Bank of Guizhou	62,862	–	62,862
Derun Environment	18,036	–	18,036
Others	2,736	-1,770	4,506
Subtotal	211,505	120,705	90,800
2. Gain from valuation of the fair value of the equity interest held after consolidation of entity which is not under common control	27,504	–	27,504
3. The subsidiaries' equity and claims transferred by Guizhou Property	–	65,209	-65,209
4. Investment income from available-for-sale financial assets ^{Note 2}	–	38,200	-38,200
5. Gains arising from the purchase of wealth management products from banks	7,582	3,241	4,341
Total	246,591	227,355	19,236

Note 1: Shenchang Company, originally a joint venture of the Company, has been consolidated into the Group's financial statements since 1 April 2017. The investment income during the Reporting Period from Changsha Ring Road represents the data of the first quarter of 2017.

Note 2: The investment income is 2015 annual dividend distributions from Bank of Guizhou, which has been accounted before using equity methods.

Management Discussion and Analysis

6. Cash Flow

Descriptions on the reasons for changes in net cash flows from operating activities: The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments^{Note} totalled RMB1,259,066,000 (2016 Interim: RMB1,024,875,000), representing a YOY increase of 22.85%, which was mainly attributable to an increase in the Group's net cash flows from operating activities as a result of the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, and the payment of land premium and income tax in respect of the relevant compensation receivable for toll fee adjustment of Meiguan Expressway in the corresponding period of last year.

Note: Aggregated figures of net cash inflows from operating activities and cash return on investments = Net cash flows from operating activities + Cash received from investments + Cash received from investments income.

According to the articles of association of the Company's joint ventures and associates, those companies will distribute cash to their shareholders if the conditions for cash distribution are fulfilled. According to characteristics of the toll highway industry, such cash return on investments will provide continuous and stable cash flow. The reason that the Company provided the aggregated figures of net cash inflows from operating activities and cash return on investments was to help the users of the financial statements understand the performance of the Group's recurring cash flow from the operating and investing activities.

Descriptions on the reasons for changes in net cash flows from investing activities: The Group paid for the consideration of acquisition of equity interests of Derun Environment and Yichang Company during the Reporting Period. The net cash outflows from investing activities amounted to approximately RMB5.059 billion.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group recorded a YOY increase of borrowings to satisfy its operation needs. The net cash inflows from financing activities amounted to approximately RMB1.463 billion.

7. Amortisation Policies of Concession Intangible Assets and the Differences of Different Amortisation Methods

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure truthfulness and accuracy of the amortised amount. Details of this accounting policy and accounting estimates are set out in notes III\18(1) and 30(2) to the Financial Statements in this report.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortised amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortization attributable to the Company calculated by using two amortisation methods based on its share of interests was RMB27 million, representing a YOY decrease. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

(II) Description on Material Changes in Profits from Non-main Business

1. Profit and Loss from Changes in Fair Value Recognised for Foreign Exchange Swap Transaction on Issued USD Debenture

The Company issued a 5-year overseas debenture amounting to USD300 million on 18 July 2016. To mitigate the risks related to fluctuation in USD exchange rate, the Company entered into a foreign exchange swap transaction to lock in foreign exchange risk. During the Reporting Period, due to the appreciation of RMB, the Group recognised loss from changes in fair value of RMB61,180,000 of the swap transaction instrument, which is almost equal to the exchange gain from the USD debenture during the Reporting Period. Details are set out in note V2 to the Financial Statements in this report.

(III) Analysis of Industry, Product or Regional Operation

1. Breakdown of Main Business by Industry and Product

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	1,956,878	928,144	52.57	10.83	7.23	Increase 1.59 pct.pt
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	372,102	186,879	49.78	8.28	2.19	Increase 2.99 pct.pt
Jihe East	340,609	140,731	58.68	13.19	3.54	Increase 3.85 pct.pt
Shuiguan Expressway	306,917	205,025	33.20	4.62	5.93	Decrease 0.83 pct.pt
Jihe West	299,974	52,521	82.49	5.60	7.58	Decrease 0.32 pct.pt
Wuhuang Expressway	186,029	115,441	37.94	10.74	18.37	Decrease 4.00 pct.pt
Nanguang Expressway	166,828	82,885	50.32	5.54	2.45	Increase 1.50 pct.pt
Yanba Expressway	89,885	56,344	37.32	5.57	2.25	Increase 2.04 pct.pt
Yanpai Expressway	86,543	36,287	58.07	6.78	-9.54	Increase 7.57 pct.pt
Meiguan Expressway	58,588	33,382	43.02	13.89	8.53	Increase 2.81 pct.pt
Subtotal	1,907,475	909,495	52.32	8.03	5.08	Increase 1.34 pct.pt
Changsha Ring Road	33,366	10,714	67.89	N/A	N/A	N/A
Yichang Expressway	16,037	7,935	50.52	N/A	N/A	N/A
Total	1,956,878	928,144	52.57	10.83	7.23	Increase 1.59 pct.pt

Management Discussion and Analysis

2. Breakdown of Main Business by Regions

Unit: '000 Currency: RMB

Region	Revenue	YOY Change in revenue (%)
Guangdong Province	1,721,446	7.74
Hubei Province	186,029	10.74
Hunan Province	49,403	N/A
Total	1,956,878	10.83

Description:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 52.57%, representing a YOY increase of 1.59 pct.pt, among which, the gross profit margins of Qinglian Expressway, Jihe East, Meiguan Expressway increased respectively following the growth of their toll revenue and the decline of their special maintenance expenses, the gross margin of Yanpai Expressway has been increased due to the decrease in its depreciation cost; besides, the gross profit margin of Wuhuang Expressway decreased due to the increase in depreciation and amortization during the Reporting Period as a result of adjustment of the unit amortization amount.

(IV) Analysis of Assets and Liabilities

1. Assets and Liabilities

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 61.93% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 8.11% and 29.96% of its total assets, respectively. As at 30 June 2017, the Group's total assets amounted to RMB36,444,043,000 (31 December 2016: RMB32,384,844,000), representing an increase of 12.53% over the end of 2016, mainly due to the acquisition of the equity interests of Derun Environment and Yichang Company during the Reporting Period, which has resulted in a growth of asset scale.

As at 30 June 2017, the total outstanding interest-bearing liabilities of the Group amounted to RMB16,391,266,000 (31 December 2016: RMB12,941,286,000), representing an increase of 26.66% over the end of 2016, mainly due to the consolidation of Yichang Company into the Group's financial statement during the Reporting Period, resulting in the increase in the borrowings of the Group, as well as the increase in bank borrowings so as to satisfy the operational needs of the Group. In the first half of 2017, the average borrowing scale of the Group was RMB14 billion (2016 Interim: RMB12.8 billion), representing a YOY increase of 9.37%.

Detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of project	30 June 2017	Amount as at the end of the current period as a percentage of total assets (%)	31 December 2016	Amount as at the end of the previous period as a percentage of total assets (%)	YOY change (%)	Description
Cash at bank and on hand	2,954,283	8.11	5,663,898	17.49	-47.84	(1)
Dividends receivable	46,073	0.13	–	–	N/A	(2)
Interest receivable	1,478	–	15,870	0.05	-90.69	(3)
Other receivables	155,279	0.43	99,298	0.31	56.38	(4)
Financial assets at fair value (including changes) and accounted for profit or loss	13,811	0.04	74,991	0.23	-81.58	(5)
Other current assets	23,485	0.06	564,329	1.74	-95.84	(6)
Long-term equity investments	9,030,548	24.78	4,703,282	14.52	92.01	(7)
Construction in progress	18,916	0.05	13,575	0.04	39.34	(8)
Deferred income tax assets	124,858	0.34	53,142	0.16	134.95	(9)
Short-term borrowings	2,918,256	8.01	–	–	N/A	(10)
Accounts payables	286,300	0.79	219,558	0.68	30.40	(11)
Advances from customers	355,618	0.98	227,630	0.70	56.23	(12)
Employee benefits payable	34,801	0.10	108,838	0.34	-68.03	(13)
Dividends payable	297,947	0.82	–	–	N/A	(14)
Non-current liabilities due within one year	629,121	1.73	1,582,011	4.89	-60.23	(15)
Long-term borrowings	3,527,680	9.68	1,783,024	5.51	97.85	(16)
Deferred income tax liabilities	1,602,862	4.40	1,239,320	3.83	29.33	(17)

Descriptions:

- (1) Payment for consideration of acquisition of the equity interest of Derun Environment and Yichang Company as well as distribution of dividend for 2016.
- (2) Dividend receivable for 2016 distributed by associates.
- (3) Decrease in interest receivable from term deposits.
- (4) Deposits receivable for equity transaction and advances for the construction work of Nanmen River Comprehensive Management Project.
- (5) Decrease in gains from changes in fair value of foreign exchange swap transaction on issued USD debenture due to the appreciation of RMB during the Reporting Period.
- (6) Redemption of wealth management products from banks.
- (7) Acquisition of 20% equity interests in Derun Environment.
- (8) Increase in the expenses for reconstruction of signals, signs and other facilities of some ancillary toll highways.

Management Discussion and Analysis

- (9) Inclusion of Shenchang Company into the consolidation scope represents an increase in its deferred income tax assets related to concession intangible assets.
- (10) Increase in short-term borrowings.
- (11) Inclusion of Shenchang Company and Yichang Company into the consolidation scope represents an increase in accounts payable.
- (12) Increase in the proceeds from pre-sale of commodity housing of Guilong Development Project.
- (13) Performance bonus for the year 2016 was paid to employees.
- (14) 2016 annual dividend declared but not paid to holders of H shares.
- (15) Repayment of medium-term notes due in an amount of RMB1 billion.
- (16) Inclusion of Yichang Company into the consolidation scope represents an increase in long-term borrowings accordingly, and Outer Ring Company withdrew parts of the consortium loans.
- (17) Inclusion of Yichang Company into the consolidation scope represents an increase in its deferred income tax liabilities related to concession intangible assets.

2. Restrictions on Main Assets as at the End of the Reporting Period

As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets mortgaged or pledged are as follows:

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project ⁽¹⁾	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities under the loan agreement by Qinglian Company
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until full repayment of principal and interests on corporate bonds
Toll collection rights of the Outer Ring Expressway and all proceeds from the project ⁽²⁾	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB6.5 billion	Until full repayment of all liabilities under the master contract
Toll collection rights of the Shuiguan Expressway ⁽³⁾	Pledge	Bank of China Shenzhen Central Sub-branch	Bank loans in an aggregate amount of RMB450 million	Until repayment of all liabilities
	Pledge	Zheshang Bank Shenzhen Branch	Bank loans in an aggregate amount of RMB220 million	Until repayment of all liabilities
	Pledge	Industrial and Commercial Bank of China Futian Sub-branch	Bank loans in an aggregate amount of RMB200 million	Until repayment of all liabilities
45% equity interests in JEL Company ⁽⁴⁾	Pledge	The Hongkong and Shanghai Banking Corporation Limited	Principal and interests of loans in USD	Until full repayment of principal and interests on loans in USD and relevant expenses
Toll collection rights of the Yichang Expressway ⁽⁵⁾	Pledge	Industrial and Commercial Bank of China Changsha Simenkou Sub-branch	Bank loans in an aggregate amount of RMB1.66 billion	Until repayment of all liabilities
	Pledge	Bank of China Hunan Branch	Bank loans in an aggregate amount of RMB110 million	Until repayment of all liabilities

Notes on mortgage and pledge of assets:

- (1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Qinglian Company was RMB1,833 million.
- (2) The Outer Ring Company applied for a bank loan in an aggregate account of RMB6.5 billion from the consortium by pledging the proceeds and credits receivable from the operating activities of the Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by the Outer Ring Company was RMB480 million.
- (3) Pledged by Qinglong Company, a subsidiary of the Company. The loans acquired was applied for the repayment of shareholders' borrowings.
- (4) Pledged by Mei Wah Company, a subsidiary of the Company, as a security for applying bank loans in USD. As at the end of the Reporting Period, the balance of such loans was USD36 million.
- (5) Pledged by Yichang Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such loans withdrawn by Yichang Company was RMB1.352 billion.

3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. During the Reporting Period, due to the combined effect of increase in the size of borrowings scale, vast amount of cash investments and distribution of profit, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group increased to a certain extent respectively as compared with that at the beginning of the year. During the Reporting Period, the Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management. The interest covered multiple and EBITDA interest multiple recorded a YOY increase. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

Key indicators	30 June 2017	31 December 2016
Debt-to-asset ratio (Total liabilities/Total assets)	58.43%	54.57%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	96.25%	59.12%
	2017 Interim	2016 Interim
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	4.16	3.68
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	6.27	5.53

4. Liquidity and Cash Management

During the Reporting Period, short-term borrowings of the Group increased by 2.9 billion, representing 44.37% of the current liabilities. A large amount of cash was required for the equity investments and dividend distribution of the Group during the period, and the aggregate of both resulted decrease in net current assets of the Group at the end of the Reporting Period as compared with that at the end of last year. In view of the financial position and capital requirement of the Company, the Group will prevent liquidity risk by strengthening the capital arrangement for subsidiaries and major projects, replacing short-term borrowings with long-term financing in due course and maintaining appropriate cash on hand and sufficient banking facilities.

Management Discussion and Analysis

During the Reporting Period, the Company used idle funds to purchase principal-guaranteed RMB wealth management products from cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, cash used in wealth management has been recovered, and no deposit was placed in non-bank financial institutions or applied to investment in securities.

Unit: million Currency: RMB

	30 June 2017	31 December 2016	Change
Net current assets	-1,925	3,215	-5,140
Cash and cash equivalents	1,809	4,244	-2,435
Banking facilities available	13,124	13,114	10

5. Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditure plan mainly comprised investment in Outer Ring Project, construction settlements of projects such as reconstruction and expansion of Meiguan Expressway and investments in road properties and mechanical and electrical equipments of the highway sections operated by subsidiaries. It is expected that the Group's total capital expenditure will amount to approximately RMB4.539 billion by the end of 2019. The Group plans to satisfy such capital needs with its own capital and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are currently sufficient for satisfying the needs of various capital expenditures.

The capital expenditure plan of the Group from the second half of 2017 to 2019 is as follows:

Unit: '000 Currency: RMB

Project	Second half of 2017	2018	2019	Total
1. Investment in intangible assets and fixed assets				
Outer Ring Project	610,994	1,648,479	1,943,512	4,202,985
Reconstruction and expansion of Meiguan Expressway	40,188	900	–	41,088
Qinglian Project	26,958	17,830	–	44,788
Nanguang Expressway	60,543	7,440	3,650	71,633
Other Projects (investments in mechanical and electrical equipments, etc.)	116,380	–	–	116,380
2. Equity investment				
Water Planning Company	61,890	–	–	61,890
Total	916,953	1,674,649	1,947,162	4,538,764

6. Financial Strategies and Financing Arrangements

During the Reporting Period, the monetary policy remained stable and neutral while market liquidity was steady but slightly tightening. Market interest rates showed a rising trend and RMB exchange rate remained volatile in general, resulting in subdued market expectation for RMB depreciation. Given the consideration of reducing financing costs, the Group satisfied its capital requirements mainly by transitional arrangements, such as short-term bank borrowings, during the Reporting Period. It planned to replace short-term borrowings with proceeds from long-term financing to optimise the capital structure of the Group. During the Reporting Period, the Group redeemed medium-term notes due with a principal of RMB1 billion and repaid bank loans due in an amount of RMB50 million.

The Group's composite borrowing costs for the Reporting Period amounted to 4.73% (2016: 4.97%), which was 0.24 percentage point lower than that in 2016. During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

As at the end of the Reporting Period, the specific borrowing structure is shown as follows:



During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities, and maintained the existing investment grade ratings for international entities. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

As at 30 June 2017, the Group had obtained a total of RMB21.9 billion of banking facilities, including RMB12.4 billion of credit facilities specifically for construction projects and RMB9.5 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB13.1 billion.

7. Contingencies

Details of the Group's contingencies during the Reporting Period are set out in note XI to the Financial Statements in this report.

Management Discussion and Analysis

(V) Analysis of the Investment

1. External Equity Investments

(1) Material Equity Investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB5,686 million (2016 Interim: RMB1,999 million), representing a YOY increase of RMB3,687 million, mainly due to the acquisition of equity interests in Derun Environment and Yichang Company. For details, please refer to the content in "Business Review" above. The details of material equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of investee companies	Major business	Shareholding	Investment Amount in 2017 Interim	Description
Derun Environment	Mainly engaged in renewable resources recovery and utilisation, remediation management of environmental pollution and repairing management of polluted soil, including investment, development and management of waste disposal and incineration power generation projects, research and development, and manufacture of special equipment and instruments to prevent environmental pollution.	20%	4,408,645	During the Reporting Period, Environment Company, a subsidiary of the Company, acquired 20% equity interests in Derun Environment at a consideration of RMB4,408 million. As of 30 June 2017, such consideration of equity acquisition has been fully settled and all relevant trading procedures have been completed.
Yichang Company	Operation and management of the expressway from Yiyang to Changde during the period within authorized by the Hunan Provincial People's Government; sales of highway construction, maintenance facilities, equipment and materials; investment in road construction and road maintenance.	100%	1,270,000	During the Reporting Period, the Company acquired 100% equity interests in Yichang Company at a consideration of RMB1,270 million. As of 30 June 2017, such consideration of equity acquisition has been fully settled and all relevant trading procedures have been completed.

(2) Material Non-equity Investments

During the Reporting Period, the expenditures of the Group on material non-equity investments mainly comprised the settlements of projects such as upgrade of Qinglian Class I Highway to an expressway, reconstruction and expansion for Meiguan Expressway and Outer Ring Project, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, and capital expenditures of the subsidiaries, totalling approximately RMB256 million. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Qinglian Project	6,125,390	100%	3,372	6,080,602	For details of the operational performance of projects (except for Outer Ring Project at the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Nanguang Expressway	3,149,320	99%	697	3,078,371	
Reconstruction and expansion for Meiguan Expressway	698,500	100%	15,652	657,414	
Outer Ring Project	6,500,000	7%	220,092	581,042	
Total	/	/	239,813	10,397,429	

(3) Financial Assets Measured at Fair Value

Unit: '000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit of the Reporting Period
Financial assets at fair value (including changes) through profit or loss	74,991	13,811	-61,180	-61,180

(VI) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	30 June 2017		2017 Interim			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(Net loss)	
Meiguan Company	100%	332,400	879,965	549,399	65,213	28,019	21,034	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,243,533	1,753,414	340,753	200,353	163,902	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK\$795,381	1,869,021	1,270,186	186,793	93,442	73,162	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 100% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	7,513,618	2,623,164	377,451	80,974	60,459	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
JEL Company/Magerk Company	100%	US\$28,000	829,633	712,320	186,793	71,790	53,792	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	4,138,240	2,411,028	310,782	82,773	63,453	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	1,282,981	767,610	61,489	3,463	-833	Investment in industries and project construction
Guishen Company	70%	500,000	1,193,456	709,950	55,783	6,110	2,614	Investment, construction and management of road and urban and rural infrastructure
United Land Company	49%	5,000,000	5,495,109	4,990,429	-	-85	-395	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Urban Renewal Project
Yichang Company ^{Note 1}	100%	345,000	3,258,537	1,274,243	16,037	5,648	4,243	Construction, operation and management of Yichang Expressway
Environment Company	100%	4,460,000	4,478,366	4,478,206	-	16,552	16,552	Investment and launching of projects of environmental protection industry as well as investment, construction, operation and management of municipal public works and environmental management engineering. The major asset is 20% equity interests held in Derun Environment.
Derun Environment ^{Note 2}	20%	1,000,000	34,103,389	23,110,667	737,117	727,033	90,179	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 57.12% equity interest held in Water Group and San Feng Environment, respectively.

Note 1: Yichang Company has been included into the Group's consolidation scope since 15 June 2017, the interim profit and loss in this table is the data for the period from the date of consolidation to 30 June 2017.

Note 2: Derun Environment has completed the relevant transaction procedures in early June 2017, the interim profit and loss in this table is the data of June 2017.

For details of the operational and financial performance of the above major controlled companies and participating companies and their businesses during the Reporting Period, please refer to related contents in this section.

Management Discussion and Analysis

(VII) Proposals of Profit Distribution or Conversion of Capital Reserve into Share Capital

1. Profit Distribution Proposal for 2017 Interim

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2017 (2016 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

2. Implementation of the Annual Profit Distribution Proposal for 2016

In accordance with the resolution passed in the 2016 annual general meeting, the Company distributed a final dividend of RMB0.22 per share (tax inclusive) in cash for 2016 to all shareholders, amounting to RMB479,769,471.72, which was calculated by reference to the total share capital of 2,180,770,326 shares of the Company as at the end of 2016. The profit distribution proposal was completed by 21 July 2017.

III. Outlook and Plans

(I) Analysis on Operating Environment

During the first half of 2017, the Chinese economy has overall maintained stability with performance better than market expectations. Adhering to the general principle of “Making Progress while Maintaining Stability”, the Chinese economy still has risk exposures, which mainly includes RMB under pressure in the mid-to-long term and the increasing burden of repaying interests of government debts, etc. Against this backdrop, it is expected that the operational performance in toll highways will continue to maintain a relatively steady growth. However, the uncertainties affecting the operation of the toll highway industry and those in management may increase.

In the future, it is expected that the government will continue to deepen the economic reform with a focus on the structural reform of the supply side while implementing active fiscal policy and prudent monetary policy. In the field of infrastructure construction, the government will exert great efforts in promoting the strategy of regional economic development and urbanisation. It will also expand the cooperation of the “One Belt, One Road” strategy and as a result, a large number of PPP projects will be implemented in practice. These factors will provide new opportunities for the Group to develop toll highways and other urban and transport infrastructure business. The Group will continue to carry out in-depth study in different business models and methods to effectively control and manage risks while gaining reasonable income and return.

During the first half of 2017, there was no material change in the policy of toll highway industry and the policy is expected to remain stable in the short term. On the other hand, along with the regional economic development and the demand for transportation, and based on the overall consideration of the planning of the economy and transportation, the Shenzhen Government might further push forward new traffic arrangements and adjustment plans, which will involve the expressways operated, invested or managed by the Group. The Company would actively negotiate and communicate with relevant government departments to formulate a reasonable and feasible plan for mutual development.

In respect of the changes of road networks, the optimisation of road networks of the Guangdong-Hong Kong-Macao Greater Bay Area, in particular the planned completion and commencement of operation of Shenzhong Expressway (Shenzhen to Zhongshan) in 2024, will bring demand for expansion of Jihe Expressway. The Group is studying the expansion plan of Jihe Expressway and the traffic flow of which will further increase if the expansion plan is implemented and the project is completed. The reconstruction and expansion work of Guangqing Expressway (Guangzhou to Qingyuan in Guangdong) which connects to the southern end of Qinglian Expressway was completed as scheduled at the end of 2016. In addition, the link between Guangqing Expressway and Qinglian Expressway will be completed in June 2018 according to the information announced. The construction of the link between Erguang Expressway and Qinglian Expressway is underway. Upon successive completion of the abovementioned projects, it is expected that the traffic efficiency and service capability of the whole expressway will be improved, which will help to optimise the competitiveness of Qinglian Expressway and enhance its operational performance. Jiangluo Expressway (Jiangmen to Luoding in Guangdong) Phase II and Yangluo Expressway (Yangjiang to Luoding in Guangdong) Phase II were opened successively at the end of 2016. The changes of road networks have brought certain diversion impact to Guangwu Project, but facilitating the increase in the traffic volume of Jiangzhong Expressway. The Group will closely monitor the changes of the surrounding road networks of the relevant projects as well as perform monitoring and analysis on traffic volume on an ongoing basis. By implementing various measures, such as improvement on road conditions and service quality, promotion of projects opening and strengths of service, commencement of special marketing campaigns and improvement on road guidance, the Group will actively attract traffic volume to enhance the operational performance of the projects.

Following the implementation of the 13th Five-Year Plan, it is expected that the market capacity and room for development of the environmental protection industry will expand rapidly. The Group has made strategic decisions, of which it will focus on the development of the macro environmental protection industry that takes water environment treatment and solid waste treatment as the main content while consolidating and enhancing the main business of toll highway. During the first half of 2017, the Group capitalised on the opportunity of participating in the capital injection and share issue of Water Planning Company and acquiring 20% equity interests in Derun Environment. The Group will cooperate with industry leaders to expand environmental protection business and obtain reasonable investment returns on one hand; while step up its efforts in commencing extensive cooperation with business partners and achieve complementary business development on the other hand. In order to achieve "dual growth" in both scale and efficiency of the environmental protection industry, the Group will further expand into the environmental protection business which is in line with the Group's strategies through mergers and acquisitions, PPP model, industrial funds and other methods on the basis of strengthening communication and interaction with business partners actively.

(II) Operating Plans

For the second half of 2017, the Group will focus on the following work:

- ◆ **Toll Highway Business:** The Group will carry out in-depth improvement for the standardised management of the platform of Operation Development Company and strengthen management and control on costs, with a view to further consolidating and enhancing the quality and level of integrated operational service. The Group will also explore new growth points on toll by way of site inspections, route comparison and data analysis, while launching targeted marketing and promotion activities to increase the toll revenue. Besides, the Group will complete preventive maintenance works for roads as scheduled and strengthen management on highway administration and road assets.
- ◆ **Construction Management Business:** The Group will spare no effort to make project construction management "professional, industrial, corporate" with Construction Development Company as the platform, with a view to consolidate and enhance the core competitiveness of the construction management business. The Group will also re-organise the process of project construction management comprehensively to reinforce process management, so as to effectively control the construction cost of projects, while promoting the progress of key construction projects, such as Section A of Outer Ring and Coastal Phase II. It will consolidate its experience in construction management in a timely manner to strengthen completion and acceptance of projects and the co-ordination for collection of entrusted construction account receivables.

Management Discussion and Analysis

- ◆ **Project Development and Management:** The Group will step up its efforts in enhancing the synergy between itself; Derun Environment and Water Planning Company, while actively facilitating the progress of its material businesses, including Meilin Checkpoint Urban Renewal Project, Guilong Project and the entrusted construction project in respect of Shenzhen-Shanwei Special Cooperation Zone. Meanwhile, it will continue to carry out research, selection and examination of both toll highway projects and projects relating to new industries, as well as ongoing risk monitoring and management in line with the Group's development strategies.
- ◆ **Financing and Financial Management:** The Group will closely follow the changes in monetary policy and financing environment from time to time and thus adjust its fiscal policy in a timely manner. It will further develop the design of investment and financing structure and adjust its financing strategy and the execution plan in phases in due course according to its strategic development plan and asset structure. Besides, the Group will consolidate the planning and management of its financial resources and expand financing channel, with a view to optimise the capital structure and maintain financial resilience. It will study and examine new investment modes as well as revitalise asset stock, so as to improve the overall competitiveness and provide support for the implementation of strategies of the Group.

Significant Events

Information on General Meeting

During the first half of 2017, one general meeting, one A Share class meeting and one H Share class meeting were held by the Company at the conference room of the Company. Details of the general meetings are as follows:

Name of the Meeting	Convening Date	The Query Index of the Specified Website	Disclosing Date
The 2016 Annual General Meeting	23 May 2017	http://www.sse.com.cn	23 May 2017
The First Class Meeting 2017 for Holders of A Share		http://www.hkexnews.hk	
The First Class Meeting 2017 for Holders of H Share			

Significant Transaction and Progress

On 20 January 2017, the Company and Pingan Innovation entered in an agreement on Equity Transfer of Hunan Yichang Expressway Development Co., Ltd. The Company agreed to acquire 100% interest in Yichang Company at a price of RMB1.27 billion. The Transaction was completed during the Report Period. Yichang Company principally engages in the operation and management of Yichang Expressway. For details, please refer to the announcement of the Company dated 20 January 2017.

On 25 May 2017, Environment Company, a wholly-owned subsidiary of the Company entered in an equity transfer agreement with Chongqing Water Asset Management Company Limited. Environment Company acquired 20% equity interest in Derun Environment at the floor price of the listing of RMB4,408,644,500. The Transaction was completed during the Report Period. Derun Environment principally engages in water treatment and waste incineration power generation. For details, please refer to the announcements of the Company dated 19 May 2017 and 25 May 2017, and the circular of the Company dated 29 May 2017.

Material Contract Progress (as defined in the relevant PRC regulatory rules)

Through public tendering, Outer Ring Company entered into construction contracts of the second, third, fourth, sixth and ninth sections of Outer Ring Section A with China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway Engineering Bureau Co., Ltd., CCCC Second Harbour Engineering Bureau Co., Ltd., China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour Engineering Bureau Co., Ltd. on 24 March 2016 respectively. The total contract prices are RMB1,167 million, RMB1,237 million, RMB956 million, RMB962 million and RMB929 million respectively. The total contract prices are determined based on the bid prices submitted by each of the construction contractors for the public tenders for the construction of the relevant sections of Outer Ring Section A conducted by Outer Ring Company. For details, please refer to the announcement of the Company dated 24 March 2016. As at the end of the Reporting Period, the contract amounts recognised by Outer Ring Company and each construction contractors in each construction section were RMB105 million, RMB121 million, RMB100million, RMB97 million and RMB157 million respectively.

Related Party Transaction and Connected Transaction

On 6 April 2017, the Company and SZ Property Exchange signed the confirmation of the transaction, pursuant to which the Company is recognised as the finalised type A investor in the Water Planning Company Capital Injection Project, and it shall inject RMB61,890,000 into Water Planning Company in return for 15% registered capital in Water Planning Company (the price being RMB10.315 per registered capital of Water Planning Company) upon completion of the capital injection. On 13 July 2017, the Company, SIHCL and the other investors entered into the capital injection agreement. As SIHCL holds more than 40% equity interests in SZ International and is the sole shareholder of Water Planning Company, SZ International indirectly owns 50.889% interests in the Company, the transaction constitutes a related party transaction/connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcements of the Company dated 6 April 2017 and 13 July 2017, respectively.

Significant Events

Advances and Liabilities Related to the Related Parties (as defined in the relevant PRC regulatory rules)

As at the Reporting Date, there is no non-operating fund occupancy by the controlling shareholders and its related parties arising in the Company.

Management Contract

Pursuant to a contract dated 7 June 1995 together with subsequent amendments, Magerk Company entrusted the toll collection of Wuhuang Expressway and the usage, management, preservation, maintenance and repair of Wuhuang Expressway and its ancillary facilities to Hubei Bureau for the Administration of Higher Class Public Roads (湖北省高等級公路管理局), or other sub-contractors whom it may designate from time to time (Hubei Wuhuang Expressway Management Co. Ltd. (湖北武黃高速公路經營有限公司) is the sub-contractor currently designated), throughout the operating period of Wuhuang Expressway. The service was charged at a fee which is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

For 2017 Interim, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB563,648,000 and RMB48,423,000 respectively. For 2017 Interim, Magerk Company recorded operating profit of RMB71,790,000, representing 7.37% of the operating profit of the Group, and net profit of RMB53,792,000, representing 7.25% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the financial position and operating results of the Group.

External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of guarantee	Date of occurrence (date of agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for connected party or not
The Company	China Construction Bank Shenzhen Branch	800	20 Apr. 2007	Aug. 2007	Repayment of corporate bonds of the Company (principal and interests)	Joint liability guarantee ⁽¹⁾	No	No	No	No
Guizhou Property	customers of Shenzhen Expressway • Interlaken Town Phase I Group A	242.94	May 2015 – Jun. 2017	Effective date of mortgage loan contract	Mortgage effective date under the contract	Joint liability guarantee ⁽²⁾	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										65
Total balance of guarantees as at the end of the Reporting Period (A)										1,042.94
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										0
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										0
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										1,042.94
Proportion of total amount of guarantees to the net assets of the Company (%)										8.06%
Including:										
Amount of the guarantees for shareholders, de-facto controller and their connected parties (C)										–
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70% (D)										800
Amount of the guarantees exceed 50% of net assets of the Company (E)										–
Total amount of the above three guarantees (C+D+E)										800
Description on unexpired guarantees may be confronted with Joint liability										N/A

Description on guarantees:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the shareholders of the Company in the 2006 Annual General Meeting of the Company. For details on the guarantee, please refer to the relevant content heading “Mortgage and Pledge of Assets” below.
- (2) The provision of periodical joint liability guarantees by Guizhou Property, a subsidiary of the Company, to qualified mortgage customers of “Shenzhen Expressway • Interlaken Town Phase I” in accordance with the real estate industry business practices have been approved by the forth meeting of the seventh session of the Board of the Company held on 30 June 2015. During the Reporting Period, Guizhou Property provided periodic guarantees for 42 customers with an accumulated amount of RMB65,000,000. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB242,940,000.
- (3) The Company has no external guarantee in violation of decision-making procedures.

Significant Events

Mortgage and Pledge of Assets

As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets mortgaged or pledged are as follows:

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project ⁽¹⁾	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
Toll collection rights of Outer Ring Expressway ⁽²⁾	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB6.5 billion	Until repayment of all liabilities by Outer Ring Company under the loan agreement
Toll collection rights of Shuiguan Expressway ⁽³⁾	Pledge	Bank of China Central Sub-branch Industrial and Commercial Bank of China Futian Sub-branch Zheshang Bank Shenzhen Branch	Principal and interests of the current fund loan in the total amount of RMB870 million	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL Company ⁽⁴⁾	Pledge	The Hongkong and Shanghai Banking Corporation Limited	Principal and interests of loans in USD	Until full repayment of principal and interests on loans in USD and relevant expenses
Toll collection rights of Yichang Expressway ⁽⁵⁾	Pledge	Industrial and Commercial Bank of China Changsha Simenkou Sub-branch Bank of China Hunan Branch	Principal and interests of the current fund loan in the total amount of RMB1.77 billion	Until repayment of all liabilities under the loan agreement

Description on mortgage and pledge of assets:

- (1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Qinglian Company was RMB1,833 million.
- (2) Pledged by Outer Ring Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Outer Ring Company was RMB480 million.
- (3) Pledged by Qinglong Company, a subsidiary of the Company. As at the end of the Reporting Period, the amounts of such loans from Bank of China Central Subbranch, Industrial and Commercial Bank of China Futian Subbranch and Zheshang Bank Shenzhen Branch used by Qinglong Company were RMB450 million, RMB200 million and RMB220 million, respectively.
- (4) In April 2017, the amount of the loans from HSBC used by Mei Wah Company, a subsidiary of the Company, was USD36 million, agreed to be pledged by 45% shares of JEL Company. As at the Reporting date, the pledge agreement has not yet been signed.
- (5) Pledged by Yichang Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such loans used by Yichang Company was RMB1.352 billion.

Entrusted Wealth Management

Pursuant to the resolution at the thirteenth meeting of the seventh session of the Board of the Company, the Company have engaged in principal-guaranteed short-term RMB corporate wealth management products with cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. The expected yield is between 3.1% and 3.6%. During the Reporting Period, the Company had 42 transactions with five banks regarding short-term wealth management products, which realised an actual gain of RMB8,037,000 (tax included). As at the end of the Reporting Period, the balance of such wealth management products was nil and there was no overdue principal and gain accrued outstanding.

Other Agreements and Matters

Save as disclosed in this report, the Company did not enter into any contract in respect of the management and administration of its overall business or any material business, nor did it enter into any other material contract in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period.

During the Report Period, there was no material litigation or arbitration matter, matter which the media generally questioned, or bankruptcy and reorganisation in connection with the Company, nor was there any implementation of share option incentive scheme. In addition, there was no such matter subsisting during the Reporting Period.

Undertakings

Background	Type	Undertaking party	Details	Date and deadline for performance	Deadline for performance or not	Performed timely and strictly or not
Undertakings made in Acquisition Report or Report on the Change of Equity Interests	Other	Shenzhen International/ Shenzhen International (Shenzhen)	To avoid peer competition and regulate connected transactions, etc. For details, please refer to Detailed Report on the Change of Equity Interests (「詳式權益變動報告書」) published on 18 October 2007 to the securities market of PRC by undertaking parties or related contents in the Annual Report 2007 of the Company.	Oct. 2007	No	Yes
	Other	Shenzhen International	Made undertaking in respect of the matters such as avoiding peer competition and supporting the development of the Company. The undertakings include that Shenzhen International and SIHCL shall inject their highway assets into the Company in 5-8 years when certain conditions are fulfilled. For details, please refer to Acquisition Report (「收購報告書」) published by SIHCL on 4 January 2011 to the securities market of PRC and the announcement of the Company dated 1 June 2011.	Dec. 2010	Yes	Yes
	Other	SIHCL		Jun. 2011		
Undertakings made related to IPO	Avoiding peer competition	XTC Company/ SGH Company	The undertaking parties will not engage in any industry or business in any form, which, directly or indirectly, competes with the Company in Shenzhen.	Dec. 2010	Yes	Yes
				May 2011		
				Jan. 1997	No	Yes

Information on Corporate Governance

The Company is listed on both SSE and HKEx. The Company has to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the Company Law and the relevant requirements issued by China Securities Regulatory Commission. The Company has also fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. The Company strives to achieve better corporate governance practices, for details, please refer to the content in Annual Report 2016 of the Company.

Significant Events

Investor Relationship Management

The management of the Company highly values the communication with its investors. During the first half of 2017, the Chairman, President, Financial Controller, Secretary of the Board and other senior management of the Company participated in the relevant investor relations activities to communicate and interact with investors directly. The investor relations activities were mostly organised by the Company in the following forms:

- Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website, and promptly responding to investors' enquiries. In the first half of 2017, the Company replied approximately 25 investors' enquiries by the way of website, telephone or e-mail.
- Properly arranging request of visits and researches from the investors. During the first half of 2017, the Company received in aggregate of 7 investors' visits involving 38 visitors, with an open-minded attitude communicating with the investors, and has built up a direct communication mechanism between investors and the Company.
- Conducting various forms of presentation activities, including organising result presentations and press conferences, online investor meetings and road-shows as well as participating in different types of investor forums. In the first half of 2017 the Company conducted face-to-face communications with over 157 investors and media reporters.
- Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 2 issues of E-News and 2 result presentation materials in the first half of 2017, providing information to investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Apart from the manner of e-mails, E-News is also uploaded to the Company's website for investors' access at any time.
- Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website (<http://www.sz-expressway.com>).
- The Company also timely handled and replied investors' messages, and uploaded investors' interaction records monthly through the "E-Interaction" platform developed by the SSE for listed companies and investors.

Employees, Remuneration and Training

As at 30 June 2017, the Group (including the Company and its subsidiaries consolidated into the financial statements) had 4,180 employees, of whom 895 were management and professional staffs while 3,285 were toll collection staff.

Staff remuneration and benefit of the Company comprise wage, performance bonus and statutory and company benefits which are determined according to the market value of the position and the overall performance of staff. Pursuant to statutory requirements, the Company has participated in an employee retirement scheme (social pension insurance) and a housing provident fund plan organised by the local government authorities, and has applied various protection plans such as basic medical insurance package, work injury insurance and unemployment insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labour and social security authorities and housing provident fund management centre respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund expense. For details of the remuneration and benefits for employees, please refer to notes III\21 and V\22 to the Financial Statements of this report.

During the Reporting Period, the Company had organised 23 trainings, with a total of 760 participants.

Review of Interim Results

The 2017 interim financial information and the comparative figures for the same period of 2016 are prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Listing Rules of HKEx. The Audit Committee of the Company has reviewed and confirmed the financial statements and the interim report for the six months ended 30 June 2017. The relevant financial information has not been audited.

Name of Directors

As at the date of this report, the Directors are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. WU Ya De (Executive Director and President), Mr. WANG Zeng Jin (Executive Director), Mr. LIAO Xiang Wen (Executive Director), Mr. ZHAO Jun Rong (Non-executive Director), Mr. TSE Yat Hong (Non-executive Director), Mr. LIU Ji (Non-executive Director), Mr. CHEN Yuan Jun (Non-executive Director), Mr. AU Sing Kun (Independent Director), Mr. LIN Chu Chang (Independent Director), Mr. HU Chun Yuan (Independent Director) and Mr. CAI Shu Guang (Independent Director).

By Order of the Board

HU Wei

Chairman

Shenzhen, PRC, 18 August 2017

Share Capital and Shareholders

I. Profile of Movements of Share Capital

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

A total of 2,180,770,326 ordinary shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively.

II. Information of Shareholders

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders, the top ten shareholders and the top ten holders of non-restricted circulating shares of the Company were as follows:

1. Total Number of Shareholders:

The total number of shareholders of the Company is 24,202, of which 23,964 were holders of A shares and 238 were holders of H shares.

2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company

Unit: share

The top ten shareholders						
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage (%)	Number of restricted circulating shares held	Number of shares pledged or frozen	Nature of shareholders
HKSCC NOMINEES LIMITED ^{Note}	+1,928,000	724,635,099	33.23	–	Unknown	Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	–	654,780,000	30.03	–	None	Domestic non-state-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	–	411,459,887	18.87	–	None	Domestic non-state-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	–	87,211,323	4.00	–	None	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	–	61,948,790	2.84	–	None	State-owned legal person
AU SIU KWOK	–	11,000,000	0.50	–	Unknown	Overseas natural person
China Securities Finance Corporation Limited	+10,100,854	10,100,854	0.46	–	Unknown	Domestic non-state-owned legal person
LIU SHEN PEI	+2,809,237	8,308,787	0.38	–	Unknown	Domestic natural person
HUANG HAO WEI	+7,019,907	7,019,907	0.32	–	Unknown	Domestic natural person
ZHANG PING YING	-1,259,745	6,023,400	0.28	–	Unknown	Domestic natural person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED ^{Note}	724,635,099	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
China Merchants Expressway Network & Technology Holdings Company Limited	87,211,323	A Share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A Share
AU SIU KWOK	11,000,000	H Share
China Securities Finance Corporation Limited	10,100,854	A Share
LIU SHEN PEI	8,308,787	A Share
HUANG HAO WEI	7,019,907	A Share
ZHANG PING YING	6,023,400	A Share
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.	

Note: The H shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.

3. Disclosure of Interests of Shareholders Pursuant to the Listing Rules of HKEx

As at 30 June 2017, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

A Shares:

Name of shareholder	Capacity	Number of A Shares of the Company held	Percentage of total issued A Share capital
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	1,066,239,887(L)	74.39%(L)
SIHCL	Interest of corporation controlled ⁽⁴⁾	1,066,239,887(L)	74.39%(L)

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
JPMorgan Chase & Co.	Beneficial owner/Investment manager/ Custodian ⁽⁵⁾	52,148,964(L) 512,000(S) 23,536,276(P)	6.97%(L) 0.06%(S) 3.14%(P)
Advance Great Limited	Beneficial owner	43,536,000 (L)	5.82%(L)
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	43,536,000 (L)	5.82%(L)
SIHCL	Interest of corporation controlled ⁽⁴⁾	43,536,000 (L)	5.82%(L)
Norges Bank	Beneficial owner	43,071,732 (L)	5.76%(L)
Veritas Asset Management (UK) Limited	Investment manager	40,028,000 (L)	5.35%(L)

Note: (L) – long positions, (S) – short positions, (P) – lending pool. Please refer to Securities and Futures Ordinance for relevant definitions.

Share Capital and Shareholders

Notes:

- (1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- (3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and 43,536,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International.
- (4) SIHCL indirectly held 44.49% interests in Shenzhen International. Pursuant to Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.
- (5) The relevant interests of JPMorgan Chase & Co. were held via JPMorgan Chase & Co. and its subsidiaries.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 June 2017.

4. The Controlling Shareholders and the De-facto Controller

During the Reporting Period, there was no change in the controlling shareholder or the de-facto controller of the Company.

III. Others

Purchase, Sale or Redemption of Securities

During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its joint ventures.

Directors, Supervisors and Senior Management

I. Changes of the Directors, Supervisors and Senior Management

1. Personal Changes

Name	Position	Change	Reason for the change
CHEN Tao	Independent non-executive director	Resigned. The resignation of Mr. Chen Tao as an independent non-executive director of the Company and the chairman of the remuneration committee and the nomination committee of the Board was effective after a new independent non-executive director of the Company had been elected at the general meeting of the Company on 23 May 2017.	Personal health reasons
CAI Shu Guang	Independent non-executive director	Newly appointed. Mr. Cai Shu Guang was appointed as an independent non-executive director of the seventh session of the Board of the Company by the general meeting on 23 May 2017, while the Board of the Company appointed Mr. Cai as the chairman of the remuneration committee and the nomination committee of the Board with a term of office from 23 May 2017 to 31 December 2017.	Elected at the General Meeting/ Approved by the Board

2. The Changes in the Information of the Directors of the Company Disclosed Pursuant to Rule 13.51B (1) of the Listing Rules of HKEx

Mr. HU Wei, Chairman of the company, has been appointed as an Executive Director of Shenzhen International since 17 May 2017.

II. Information on the Interests of Directors, Supervisors and Senior Management in Securities

1. The Changes in Shareholding

During the Reporting Period, none of the Directors, the Supervisors or the Senior Management had held or traded the stock of the Company or be granted equity incentive by the Company.

2. Disclosure of Interests of the Management Pursuant to the Listing Rules of HKEx

As at 30 June 2017, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including deemed interests and short positions under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 30 June 2017	Change during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	120,716	—	0.006%	Personal	Beneficial owner
TseYat Hong	1,534,832	+53,158	0.076%	Personal	Beneficial owner
Zhong Shan Qun	68,000	+68,000	0.003%	Personal	Beneficial owner

Directors, Supervisors and Senior Management

Interests in share option of Shenzhen International:

Name	Warrant	Share option unexercised as at 30 June 2017 ⁽¹⁾⁽²⁾	Change during the Period				Nature of Interests	Capacity
			Adjustment during the Period	Granted during the Period	Exercised	Invalid		
Hu Wei	share option scheme1	1,224,410	174,410	–	–	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		
Wu Ya De	share option scheme2	760,000	–	760,000	–	–	Personal	Beneficial owner
Wang Zeng Jin	share option scheme1	166,442	66,442	–	-300,000	–	Personal	Beneficial owner
Liao Xiang Wen ⁽³⁾	share option scheme1	133,221	33,221	–	-100,000	–	Personal	Beneficial owner
	share option scheme2	380,000	–	380,000	–	–		
Zhao Jun Rong	share option scheme1	1,224,410	174,410	–	–	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		
Tse Yat Hong	share option scheme1	734,646	104,646	–	–	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		
Liu Ji	share option scheme1	419,798	59,798	–	–	–	Personal	Beneficial owner
	share option scheme2	510,000	–	510,000	–	–		
Zhong Shan Qun	share option scheme1	1,224,410	174,410	–	–	–	Personal	Beneficial owner
	share option scheme2	950,000	–	950,000	–	–		

Note:

- (1) The share option scheme1 was granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the grant provision. On 23 June 2017, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK\$10.4 per share to HK\$8.919 per share.
- (2) The share option scheme 2 was granted on 26 May 2017 and could be exercised during the period from 26 May 2019 to 25 May 2022 pursuant to the grant provision with the exercise price of HK\$12.628 per share.
- (3) The interest is owned by the Director Liao Xiang Wen's spouse.

Saved as disclosed above, as at 30 June 2017, none of the Directors, the Supervisors or the Chief Executive had interests or short positions defined above.

3. Model Code for Securities Transactions by Directors and Supervisors

The "Securities Transaction Code" of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules of HKEx entitled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant provisions of the domestic securities regulatory authorities, as a written guide to regulate dealings in the Company's securities by Directors, Supervisors and relevant staff. The "Securities Transaction Code" of the Company has included and exceeded the standards set by Appendix 10 to the Listing Rules of HKEx to a certain extent.

After making specific enquiry of all the Directors, Supervisors and Senior Management, the Company confirms that all of the Directors, Supervisors and Senior Management have complied with the standards on securities transactions by directors as stipulated by the aforementioned code during the Reporting Period.

Interim Financial Statements

Report on Review of Interim Financial Information

058

Reviewed Financial statements

Consolidated and company statement of financial position	059 – 061
Consolidated and company statement of profit or loss	062 – 063
Consolidated and company statement of cash flows	064 – 065
Consolidated and company statements of changes in owners' equity	066 – 067

Notes to financial statements

068 – 160

Supplementary information

1. Detailed list of non-recurring profit or loss items	161
2. Return on net assets and earnings per share	162

Report on Review of Interim Financial Information

EY Hua Ming(2017) Shen Zi No. 61278656_H10

To the Shareholders of Shenzhen Expressway Company Limited

We have reviewed the accompanying interim financial statements of Shenzhen Expressway Company Limited (the "Company"), which comprise the consolidated and company statement of financial position as at 30 June 2017, and the consolidated and company statement of profit or loss and other comprehensive income, the consolidated and company statement of cash flows and the consolidated and company statements of changes in owners' equity for the six months then ended, and notes to the financial statements, including a summary of significant accounting policies. The management of the Company is responsible for the preparation and fair presentation of these interim financial statements in accordance with Chinese Accounting Standards. Our responsibility is to express a conclusion on these interim financial statements based on our review.

We conducted our review in accordance with China Standard on Review No. 2101, "Review of Financial Statements" issued by the Chinese Institution of Certified Public Accountants. The standard requires that we plan and perform the review to obtain limited assurance as to whether the interim financial statements are free from material misstatement. A review is limited primarily to inquiries of company personnel and analytical procedures applied to financial data, and thus provides less assurance than an audit. We have not performed an audit, and, accordingly, we do not express an audit opinion.

Based on our review, nothing has come to our attention that causes us to believe that the accompanying interim financial statements do not present fairly, in all material respects of the consolidated and company financial position of the Company as at 30 June 2017, and of its operating results and its cash flows for the six month period then ended in accordance with Chinese Accounting Standards.

Ernst & Young Hua Ming LLP

Certified Public Accountant
Xie Feng

Beijing, the People's Republic of China
18 August 2017

Certified Public Accountant
Deng Dong Mei

Consolidated Statement of Financial Position

As at 30 June 2017

(All amounts in RMB unless otherwise stated)

Item	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current assets			
Cash at banks and on hand	V.1	2,954,283,110.90	5,663,897,840.79
Financial assets at fair value through profit or loss	V.2	13,810,965.43	74,991,317.77
Notes receivable		1,850,000.00	2,928,300.00
Accounts receivable	V.3	441,580,200.76	545,051,289.43
Prepayments	V.4	249,113,964.41	245,985,667.13
Interest receivable		1,477,987.50	15,869,806.93
Dividends receivable	V.5	46,073,232.11	–
Other receivables	V.6	155,278,601.15	99,297,652.11
Inventories	V.7	667,487,112.92	663,113,521.51
Current portion of non-current assets	V.8	96,917,517.12	124,169,139.84
Other current assets	V.9	23,485,289.65	564,329,427.09
Total current assets		4,651,357,981.95	7,999,633,962.60
Non-current assets			
Long-term prepayments	V.10	200,114,675.51	184,697,778.86
Available-for-sale financial assets	V.11	43,490,000.00	43,490,000.00
Long-term receivables	V.12	16,519,232.87	16,519,232.87
Long-term equity investments	V.13	9,030,547,949.80	4,703,281,506.17
Investment properties		13,238,575.00	13,526,425.00
Fixed assets	V.14	1,021,058,437.59	1,027,753,114.01
Construction in progress	V.15	18,915,956.23	13,575,497.81
Intangible assets	V.16	21,319,019,846.61	18,323,851,443.34
Long-term prepaid expenses		4,922,787.50	5,373,382.60
Deferred tax assets	V.17	124,857,699.07	53,142,103.90
Total non-current assets		31,792,685,160.18	24,385,210,484.56
Total assets		36,444,043,142.13	32,384,844,447.16

Consolidated Statement of Financial Position

As at 30 June 2017

(All amounts in RMB unless otherwise stated)

Item	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current liabilities			
Short-term borrowings	V.19	2,918,256,000.00	–
Accounts payable	V.20	286,300,322.38	219,558,035.62
Advances from customers	V.21	355,617,899.38	227,629,755.93
Employee benefits payable	V.22	34,800,682.86	108,837,788.48
Taxes payable	V.23	189,341,054.60	156,192,214.34
Interest payable	V.24	108,151,598.23	100,188,323.21
Dividends payable	V.25	297,946,614.91	–
Other payables	V.26	1,754,119,788.16	2,387,124,807.60
Current portion of non-current liabilities	V.27	629,120,918.27	1,582,010,852.14
Deferred revenue	V.31	2,833,781.68	2,646,278.06
Total current liabilities		6,576,488,660.47	4,784,188,055.38
Non-current liabilities			
Long-term borrowings	V.28	3,527,679,725.61	1,783,024,000.00
Bonds payable	V.29	3,698,122,301.53	3,742,863,939.90
Provisions	V.30	114,474,750.03	127,474,173.03
Deferred revenue	V.31	150,883,234.30	158,796,925.07
Deferred tax liabilities	V.17	1,602,862,319.51	1,239,319,854.20
Other non-current liabilities	V.32	5,622,522,186.08	5,837,822,400.00
Total non-current liabilities		14,716,544,517.06	12,889,301,292.20
Total liabilities		21,293,033,177.53	17,673,489,347.58
Owners' equity			
Share capital	V.33	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.34	2,150,854,347.52	2,151,147,518.61
Other comprehensive income	V.35	891,272,327.62	894,501,191.30
Surplus reserve	V.36	2,031,208,432.81	2,031,208,432.81
Undistributed profits	V.37	5,678,809,856.96	5,416,848,490.55
Total equity attributable to owners of the Company		12,932,915,290.91	12,674,475,959.27
Minority interests	VII.1 (2)	2,218,094,673.69	2,036,879,140.31
Total owners' equity		15,151,009,964.60	14,711,355,099.58
Total liabilities and owners' equity		36,444,043,142.13	32,384,844,447.16

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei**

Chief Financial Officer:

Gong Taotao

Head of accounting department: **Zhao Guiping**

Company Statement of Financial Position

As at 30 June 2017

(All amounts in RMB unless otherwise stated)

Item	Note	30 June 2017 (Unaudited)	31 December 2016 (Audited)
Current assets			
Cash at banks and on hand		1,081,855,950.79	2,930,695,804.15
Financial assets at fair value through profit or loss		13,810,965.43	74,991,317.77
Accounts receivable	XIV.1	348,694,001.05	463,878,267.64
Prepayments		8,352,117.17	6,962,705.40
Interest receivable		1,477,987.50	15,089,806.93
Dividends receivable		46,073,232.11	—
Other receivables	XIV.2	447,686,378.00	1,542,710,679.60
Inventories		1,508,504.52	1,088,338.44
Other current assets		—	500,000,000.00
Total current assets		1,949,459,136.57	5,535,416,919.93
Non-current assets			
Long-term prepayments		3,329,760.00	3,329,760.00
Available-for-sale financial assets		43,490,000.00	43,490,000.00
Long-term receivables		2,758,622,785.00	3,225,354,145.03
Long-term equity investments	XIV.3	14,528,008,017.66	9,280,473,130.10
Investment properties		13,238,575.00	13,526,425.00
Fixed assets		415,724,852.98	445,238,398.93
Construction in progress		4,277,528.44	4,277,528.44
Intangible assets		4,005,273,510.82	4,113,798,324.87
Long-term prepaid expenses		1,608,715.16	1,820,583.14
Deferred tax assets		25,487,535.43	13,037,034.24
Total non-current assets		21,799,061,280.49	17,144,345,329.75
Total assets		23,748,520,417.06	22,679,762,249.68
Current liabilities			
Short-term borrowings		1,970,000,000.00	—
Accounts payable		20,865,946.42	21,239,839.51
Advances from customers		34,350,627.44	47,179,511.26
Employee benefits payable		14,934,670.94	64,919,960.99
Taxes payable		49,765,943.57	10,579,685.02
Interest payable		103,258,198.36	97,651,044.47
Dividends payable		164,450,000.00	—
Other payables		951,535,259.83	899,008,576.76
Current portion of non-current liabilities		492,135,218.27	1,482,810,852.14
Total current liabilities		3,801,295,864.83	2,623,389,470.15
Non-current liabilities			
Bonds payable		3,698,122,301.53	3,742,863,939.90
Provisions		114,474,750.03	127,474,173.03
Other non-current liabilities		5,622,522,186.08	5,837,822,400.00
Total non-current liabilities		9,435,119,237.64	9,708,160,512.93
Total liabilities		13,236,415,102.47	12,331,549,983.08
Owners' equity			
Share capital	V.33	2,180,770,326.00	2,180,770,326.00
Capital surplus		2,313,014,925.33	2,313,308,096.42
Other comprehensive income	V.13 (2)	-4,233,294.18	—
Surplus reserve	V.36	2,031,208,432.81	2,031,208,432.81
Undistributed profits		3,991,344,924.63	3,822,925,411.37
Total owners' equity		10,512,105,314.59	10,348,212,266.60
Total liabilities and owners' equity		23,748,520,417.06	22,679,762,249.68

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Zhao Guiping**

Consolidated Statement of Profit or Loss

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
1. Total revenue		2,108,385,017.98	2,063,128,149.44
Including: Revenue from services	V.38	2,108,385,017.98	2,063,128,149.44
2. Total costs		1,319,983,781.78	1,426,905,382.67
Including: Cost of services	V.38	1,021,304,867.65	1,067,038,639.78
Tax and surcharges	V.39	16,156,612.63	40,845,429.00
Selling expenses		7,791,668.78	6,941,373.06
General and administrative expenses	V.40	40,516,130.68	41,324,364.77
Financial expenses	V.41	234,214,502.04	270,755,576.06
Add: Gain or loss from changes in fair value	V.42	-61,180,352.34	—
Add: Investment income	V.43	246,590,566.55	227,355,246.32
Including: Share of profit of associates and joint ventures		211,504,377.66	120,705,347.44
3. Operating profits		973,811,450.41	863,578,013.09
Add: Non-operating income	V.44	26,634,806.35	1,354,343.99
Including: Gains on disposal of non-current assets		24,691,995.01	8,707.84
Less: Non-operating expenses	V.45	1,425,695.05	601,336.94
Including: Losses on disposal of non-current assets		245,075.15	68,755.14
4. Total profit		999,020,561.71	864,331,020.14
Less: Income tax expenses	V.46	202,010,942.54	170,590,380.43
5. Net profit		797,009,619.17	693,740,639.71
Net profit attributable to owners of the Company		741,730,838.13	614,904,007.57
Minority interests	VII.1 (2)	55,278,781.04	78,836,632.14
6. Other comprehensive income after tax		-3,228,863.68	247,518.84
Items that may be reclassified subsequently to profit or loss		-3,228,863.68	247,518.84
Including: Foreign exchange gain/loss		-822,969.90	247,518.84
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in subsequent periods	V.13 (2)(3)	-2,405,893.78	—
7. Total comprehensive income		793,780,755.49	693,988,158.55
Total comprehensive income attributable to owners of the company		738,501,974.45	615,151,526.41
Total comprehensive income attributable to minority interest		55,278,781.04	78,836,632.14
8. Earnings per share			
Basic earnings per share (RMB/share)	V.51 (1)	0.340	0.282
Diluted earnings per share (RMB/share)	V.51 (1)	0.340	0.282

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Zhao Guiping**

Company Statement of Profit or Loss

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
1. Total Revenue	XIV.4	675,723,843.76	711,010,749.32
Less: Cost of services	XIV.4	244,292,678.81	282,093,279.26
Business tax and surcharges		5,262,663.72	7,925,611.92
General and administrative expenses		28,152,509.23	26,112,051.69
Financial expenses		104,601,958.43	125,292,275.70
Add: Gain or loss from changes in fair value		-61,180,352.34	—
Add: Investment income	XIV.5	474,828,120.15	355,169,309.87
Including: Share of profit of associates and joint ventures		193,468,547.32	121,200,736.87
2. Operating profit		707,061,801.38	624,756,840.62
Add: Non-operating income		456,286.24	608,431.78
Including: Gains on disposal of non-current assets		—	—
Less: Non-operating expenses		1,020,990.31	31,342.04
Including: Losses on disposal of non-current assets		17,082.71	20,932.69
3. Total profit		706,497,097.31	625,333,930.36
Less: Income tax expenses		58,308,112.33	69,951,902.04
4. Net profit		648,188,984.98	555,382,028.32
5. Other comprehensive income		-4,233,294.18	—
Items that may be reclassified subsequently to profit or loss		-4,233,294.18	—
Share of other comprehensive income from investees accounted for equity method to be reclassified to profit or loss in subsequent periods	V.13 (2)	-4,233,294.18	—
6. Total comprehensive income		643,955,690.80	555,382,028.32

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Zhao Guiping**

Consolidated Statement of Cash Flows

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
1. Cash flows from operating activities:			
Cash received from rendering services		2,095,634,807.44	2,007,262,720.56
Refund of taxes		–	64,832.36
Cash received relating to other operating activities	V.47 (1)	32,224,218.20	62,100,025.90
Sub-total of cash inflows		2,127,859,025.64	2,069,427,578.82
Cash paid for goods and services		199,638,747.98	228,075,940.92
Cash paid to and on behalf of employees		266,198,469.49	307,559,534.13
Payments of taxes and surcharges		336,420,908.27	387,357,956.74
Cash paid relating to other operating activities	V.47 (2)	163,438,713.56	242,326,098.43
Sub-total of cash outflows		965,696,839.30	1,165,319,530.22
Net cash flows from operating activities		1,162,162,186.34	904,108,048.60
2. Cash flows from investing activities			
Cash received from recovery of investments		11,058,312.73	29,900,821.97
Cash received from returns on investments		85,845,019.10	90,865,705.77
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		27,001,550.00	10,031.95
Cash received from disposal of subsidiaries and other business units	V.47 (3)	–	69,286,667.78
Cash received relating to other investing activities	V.47 (4)	1,993,987,300.81	1,506,033,652.63
Sub-total of cash inflows		2,117,892,182.64	1,696,096,880.10
Cash paid to acquire fixed assets and other long- term assets		248,127,378.35	75,821,230.59
Net cash paid to acquire subsidiaries and other business units	V.47 (5)	5,522,885,548.12	1,998,260,000.00
Cash paid relating to other investing activities	V.47 (6)	1,406,000,000.00	2,351,300,000.00
Sub-total of cash outflows		7,177,012,926.47	4,425,381,230.59
Net cash flows from investing activities		-5,059,120,743.83	-2,729,284,350.49
3. Cash flows from financing activities			
Cash received from borrowings		3,398,182,705.99	11,000,000.00
Sub-total of cash inflows		3,398,182,705.99	11,000,000.00
Cash repayments of borrowings		1,066,471,379.54	550,304,764.00
Cash payments for interest expenses and distribution of dividends or profits		527,451,620.94	691,876,622.87
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		44,600,742.17	67,275,058.91
Cash payments relating to other financing activities		341,454,920.81	89,334.92
Sub-total of cash outflows		1,935,377,921.29	1,242,270,721.79
Net cash flows from financing activities		1,462,804,784.70	-1,231,270,721.79
4. Effect of foreign exchange rate changes on cash		-561,292.07	74,133.17
5. Net increase/(decrease) in cash		-2,434,715,064.86	-3,056,372,890.51
Add: Cash at beginning of period		4,243,639,666.01	6,180,992,066.06
6. Cash at end of period		1,808,924,601.15	3,124,619,175.55

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Zhao Guiping**

Company Statement of Cash Flows

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2017 (Unaudited)	For the six months ended 30 June 2016 (Unaudited)
1. Cash flows from operating activities		
Cash received from rendering services	442,294,017.70	543,103,711.68
Cash received relating to other operating activities	1,674,110,249.21	566,215,324.52
Sub-total of cash inflows	2,116,404,266.91	1,109,319,036.20
Cash paid for goods and services	56,657,034.50	43,746,155.13
Cash paid to and on behalf of employees	138,888,448.88	114,555,156.13
Payments of taxes and surcharges	60,412,489.60	68,592,373.20
Cash paid relating to other operating activities	774,233,522.89	327,203,605.20
Sub-total of cash outflows	1,030,191,495.87	554,097,289.66
Net cash flows from operating activities	1,086,212,771.04	555,221,746.54
2. Cash flows from investing activities		
Cash received from recovery of investments	23,422,911.87	76,768,002.59
Cash received from returns on investments	174,659,563.11	366,892,748.16
Cash received relating to other investing activities	2,937,352,366.33	1,311,851,950.68
Sub-total of cash inflows	3,135,434,841.31	1,755,512,701.43
Cash paid to acquire fixed assets and other long-term assets	5,003,616.20	13,591,244.31
Net cash paid to acquire subsidiaries and other business units	5,259,737,800.00	1,978,260,000.00
Cash paid relating to other investing activities	1,356,000,000.00	2,272,000,000.00
Sub-total of cash outflows	6,620,741,416.20	4,263,851,244.31
Net cash flows from investing activities	-3,485,306,574.89	-2,508,338,542.88
3. Cash flows from financing activities		
Cash received from borrowings	1,970,000,000.00	—
Sub-total of cash inflows	1,970,000,000.00	—
Cash repayments of borrowings	1,000,000,000.00	—
Cash payments for interest expenses and distribution of dividends or profits	408,063,474.48	567,475,492.49
Cash payments relating to other financing activities	7,878,323.61	52,288.33
Sub-total of cash outflows	1,415,941,798.09	567,527,780.82
Net cash flows from financing activities	554,058,201.91	-567,527,780.82
4. Effect of foreign exchange rate changes on cash	-72,555.94	2,828.66
5. Net increase/(decrease) in cash	-1,845,108,157.88	-2,520,641,748.50
Add: Cash at beginning of period	2,881,566,453.69	4,856,442,761.18
6. Cash at end of period	1,036,458,295.81	2,335,801,012.68

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Zhao Guiping**

Consolidated Statement of Changes in Owners' Equity

For the period ended 30 June 2017

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2017 (Unaudited)						
	Attributable to owners of the Company						Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Minority interests	
1. Ending balance on 31 December 2016	2,180,770,326.00	2,151,147,518.61	894,501,191.30	2,031,208,432.81	5,416,848,490.55	2,036,879,140.31	14,711,355,099.58
2. Movements during the period ended 30 June 2017	-	-293,171.09	-3,228,863.68	-	261,961,366.41	181,215,533.38	439,654,865.02
(1) Total comprehensive income	-	-	-3,228,863.68	-	741,730,838.13	55,278,781.04	793,780,755.49
Net profit	-	-	-	-	741,730,838.13	55,278,781.04	797,009,619.17
Other comprehensive income	-	-	-3,228,863.68	-	-	-	-3,228,863.68
(2) Withdrawal or transfer of the investment by shareholders	-	-	-	-	-	-11,879,712.91	-11,879,712.91
Withdrawal of investment by shareholders	-	-	-	-	-	-11,879,712.91	-11,879,712.91
(3) Profit distribution (Note V.37)	-	-	-	-	-479,769,471.72	-44,600,742.17	-524,370,213.89
Profit distribution to equity owners	-	-	-	-	-479,769,471.72	-44,600,742.17	-524,370,213.89
(4) Business combinations involving enterprises not under common control	-	-	-	-	-	182,417,207.42	182,417,207.42
(5) Other	-	-293,171.09	-	-	-	-	-293,171.09
3. Ending balance on 30 June 2017	2,180,770,326.00	2,150,854,347.52	891,272,327.62	2,031,208,432.81	5,678,809,856.96	2,218,094,673.69	15,151,009,964.60

Item	For the six months ended 30 June 2016 (Unaudited)						
	Attributable to owners of the Company						Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Minority interests	
1. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	2,592,187,548.93	14,961,080,522.10
2. Movements during the period ended 30 June 2016	-	-	247,518.84	-	-126,557,903.27	-4,566,924.23	-130,877,308.66
(1) Total comprehensive income	-	-	247,518.84	-	614,904,007.57	78,836,632.14	693,988,158.55
Net profit	-	-	-	-	614,904,007.57	78,836,632.14	693,740,639.71
Other comprehensive income	-	-	247,518.84	-	-	-	247,518.84
(2) Profit distribution (Note V.37)	-	-	-	-	-741,461,910.84	-83,403,556.37	-824,865,467.21
Profit distribution to equity owners	-	-	-	-	-741,461,910.84	-83,403,556.37	-824,865,467.21
3. Ending balance on 30 June 2016	2,180,770,326.00	2,274,351,523.42	893,853,039.16	1,915,883,968.12	4,977,723,732.04	2,587,620,624.70	14,830,203,213.44

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Zhao Guiping**

Company Statement of Changes in Owners' Equity

For the period ended 30 June 2017

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2017 (Unaudited)					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1. Opening balance on 1 January 2017	2,180,770,326.00	2,313,308,096.42	–	2,031,208,432.81	3,822,925,411.37	10,348,212,266.60
2. Movements during the period ended 30 June 2017	–	-293,171.09	-4,233,294.18	–	168,419,513.26	163,893,047.99
(1) Total comprehensive income	–	–	-4,233,294.18	–	648,188,984.98	643,955,690.80
Net profit	–	–	–	–	648,188,984.98	648,188,984.98
Other comprehensive income	–	–	-4,233,294.18	–	–	-4,233,294.18
(2) Profit distribution (Note V.37)	–	–	–	–	-479,769,471.72	-479,769,471.72
Profit distribution to equity owners	–	–	–	–	-479,769,471.72	-479,769,471.72
(3) Other	–	-293,171.09	–	–	–	-293,171.09
3. Ending balance on 30 June 2017	2,180,770,326.00	2,313,014,925.33	-4,233,294.18	2,031,208,432.81	3,991,344,924.63	10,512,105,314.59

Item	For the six months ended 30 June 2016 (Unaudited)				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's equity
1. Opening balance on 1 January 2016	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32
2. Movements during the period ended 30 June 2016	–	–	–	-186,079,882.52	-186,079,882.52
(1) Total comprehensive income	–	–	–	555,382,028.32	555,382,028.32
Net profit	–	–	–	555,382,028.32	555,382,028.32
(2) Profit distribution (Note V.37)	–	–	–	-741,461,910.84	-741,461,910.84
Profit distribution to equity owners	–	–	–	-741,461,910.84	-741,461,910.84
3. Ending balance on 30 June 2016	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,331,525,387.94	9,743,767,616.80

The attached notes are an integral part of these financial statements.

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Zhao Guiping**

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

I. GENERAL INFORMATION

1. General information of the Company

Shenzhen Expressway Company Limited (the “Company”) was established as a joint stock limited company in the People’s Republic of China (the “PRC”) on 30 December 1996. The Company has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of the registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is 2-4/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (collectively the “Group”) are the construction, operation and management of toll highways and expressways in the PRC.

Shenzhen International Holdings Limited (“Shenzhen International”) is the parent company of the Company and State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipality (“Shenzhen SASAC”) is the ultimate controlling company of the Company.

2. The consolidation scope

The detailed information of principal subsidiaries consolidated during the period ended 30 June 2017 is disclosed in Note VII.1. The Company consolidated Hunan Yichang Expressway Development Co., Ltd (“Yichang Company”) and Hunan Changsha Shenchang Expressway Co.,Ltd (“Shenchang Company”) into the consolidated financial statements of the Group. The detailed information of the consolidated financial statements changes during the period ended 30 June 2017 which is disclosed in Note VI.

These financial statements have been approved for issue by the Company’s Board of Directors on 18 August 2017.

II. THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the specific accounting standards and the relevant regulations issued thereafter (hereafter collectively referred to as “Chinese Accounting Standards”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission. In addition, the financial statements were disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and regulations of the Hong Kong Company Ordinance.

2. Going concern

The financial statements have been prepared on a going concern basis.

As at 30 June 2017, the Group had net current liabilities of RMB1,925,130,678.52. The directors of the Company made an assessment and concluded that there is no going concern issue based on the facts that the Group has been generating positive operating cash flows, the Group maintains good relationship with banks and it has not experienced any difficulties in renewing its banking facilities. In addition, the Group had unutilised banking facilities of approximately RMB13.1 billion as at 30 June 2017 with no reservation kept by the related banks, which can meet its obligations and capital commitments. The directors of the Company therefore are of the opinion that it is appropriate to adopt the going concern basis in preparing the consolidated financial statements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates abstracts:

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations, which include the provision of bad debt of receivables (Note III.10), the criteria for determining impairment of non-current assets (Note III.19), depreciation policy of fixed assets and amortisation policy of intangible assets (Note III.15 and 18), measurement of provisions (Note III.22), revenue recognition (Note III.23) and recognition of deferred income tax assets (Note III.25), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.30.

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements for the six months ended 30 June 2017 are in compliance with the Chinese Accounting Standards, and truly and completely present the consolidated and the Company's state of affairs as of 30 June 2017 and the consolidated and the Company's operating results, cash flows and other information for the six months ended 30 June 2017 of the Group and the Company.

2. Accounting period

The accounting period starts on 1 January 2017 and ends on 30 June 2017.

3. Operating cycle

Except for the real estate business, the operating cycle of the Group's business is relatively short. The classification criterion of asset and liability's liquidity is 12-months. The operating cycle of real estate business would generally be longer than 12 months, counted from the commencement of development to collection of sales proceeds, which is also determined as the classification criterion of the liquidity of assets and liabilities in this business.

4. Functional currency

The Company adopts Renminbi ("RMB") as its functional currency for preparing its financial statements except that Fameluxe Investment Company Limited ("Fameluxe Investment") adopts the Hong Kong dollar ("HKD") as its functional currency. The financial statements are denominated in RMB unless otherwise stated.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

(1) The accounting treatment of business combinations involving enterprises under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the absorbing party, while that other entity participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities (including goodwill arising from ultimate controller's acquisition of the party being absorbed) that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

(2) The accounting treatment of business combinations involving enterprises not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquiree's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current year. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, becomes under common control of the ultimate controlling party. The portion of the net profit realized before the combination date is presented separately in the consolidated income statement.

When the Group ceases to have control over a subsidiary due to disposal of part of an equity investment or other reasons, the interest retained should be re-measured according to the fair value at the date when control is lost. The difference between prices arising from the disposal plus the fair value of the interest retained and the net assets continuously recorded from the acquisition date is recognized as investment income in the period in which the control is lost. The comprehensive income related to the original equity held by the Company is recognized as investment income in the same period. Change of minority interest is regarded as equity transaction when the control is not lost.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profit and loss for the period as well as comprehensive income not attributable to the Company are recognised as minority interests, net profit and loss attributable to minority interests as well as comprehensive income attributable to minority interests presented separately in the consolidated financial statements within equity and net profit as well as total comprehensive income respectively. The unrealised profit and loss arising from sales of assets to subsidiaries by the Company are fully eliminated against net profit attributable to owners of the Company. The unrealised profit and losses arising from sales of assets to the Company by subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' shareholding in the subsidiaries. The unrealised profit and loss arising from sales of between subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' shareholdings in the subsidiary who sold.

If the Group and the Company or subsidiaries have different recognition for the same transaction as the accounting entity, the transaction will be adjusted from the perspective of the Group.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

7. The recognition of cash and cash equivalents

Cash and Cash equivalents comprise the Group's cash on hand and deposits that can be readily withdrawn on demand, and short-term, highly liquid investments, that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

9. Financial instruments

(1) Financial assets

(a) *Classification of financial assets*

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loans, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group's intention and ability to hold the financial assets. Financial assets held by the Group are financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss ("FVTPL")

The Group's financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the statement of financial position if management intends to dispose of them within 12 months after the balance sheet date.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(1) Financial assets (continued)

(b) *Recognition and measurement of financial assets*

Financial assets are recognised at fair value on the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value, while investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortised cost using the effective interest method.

Gain or loss arising from change in the fair value of financial assets at fair value through profit or loss is recognised in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognised in profit or loss for the current period.

(c) *Impairment of financial assets*

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each balance sheet date. If there is objective evidence that a financial asset is impaired, the Group determines the amount of impairment loss.

The objective evidence of impairment of a financial asset is the event that actually happened after the recognition of the financial asset which will also affect the estimated future cash flows while the Group can have a reliable measurement on that effect.

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

When an impairment loss on an available-for-sale financial asset has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows determined according to the market yield of similar financial assets and recognised in profit or loss. Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

(d) *Derecognition of financial assets*

A financial asset is derecognised when one of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(2) Financial liabilities

(a) *Classification of financial liabilities*

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group are mainly other financial liabilities, including payables, borrowings and bonds payable.

(b) *Recognition and measurement*

Payables, including accounts payable, other payables and notes payable, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and bonds payable are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the balance sheet date are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

(3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses current applicable valuation techniques which can be supported by sufficient usable data and other information and chooses inputs by referring to the current fair value of another financial asset that is substantially the same with this instrument dealt with in relevant market transactions between willing parties. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs. In case the relevant observable inputs cannot be impracticably obtained, the unobservable inputs would be used.

(4) Derivative financial instruments

The Group uses derivative financial instruments, which are forward currency contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For derivatives which are linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, they are measured at cost.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables

Receivables comprise accounts receivable, long-term receivables and other receivables. Accounts receivable arising from the sale of goods or rendering of services are initially recognised at fair value of the contractual payments from the buyers or service recipients.

(1) Receivables that are individually significant and subject to separate provision

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established.

The criterion applied to individually significant balances	For accounts receivable, any individual amount exceeds RMB5,000,000.00 is considered to be "individually significant"; for other receivables, the criteria is any individual amount which exceeds RMB1,000,000.00.
Bad debt provision for receivables that are individually significant	Bad debt provision is made for the difference between the book value and the present value of the estimated cash flows.

(2) Receivables that are subject to provision by group with similar credit risk characteristics

For all other receivables that are not individually significant or for which impairment has not yet been identified, the Group performs a collective assessment by including the receivables into groups with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss and taking into consideration of the current circumstances.

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics (Aging analysis, percentage of balance, other methods)

Group 1 Receivables from government and related parties	Other appropriate methods
Group 2 Receivables from other third parties	Aging analysis method and other appropriate methods

Ratios of provision for bad debts using the aging analysis method for the above groups are as follows:

Aging	Provisioning percentage applied for accounts receivable (%)	Provisioning percentage applied for other receivables (%)
Within 3 years (including 3 years)	—	—
Over 3 years	100	100

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (continued)

(2) Receivables that are subject to provision by group with similar credit risk characteristics (continued)

Ratios of provision for bad debts using other methods for the above groups are as follows:

Name of the group	Provisioning percentage applied for accounts receivable (%)	Provisioning percentage applied for other receivables (%)
Group 1 and Group 2 with aging within 3 years	No provision for receivables from governments, related parties and other third parties with aging not later than 3 years unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.	No provision for receivables from governments, related parties and other third parties with aging not later than 3 years unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

(3) Receivables that are not individually significant but subject to separate provision

The basis for separate provision	The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.
The provision for bad debts	The provision for bad debts is determined based on the difference of the carrying amount and the present value of estimated future cash flows.

11. Inventories

(1) Classification

Inventories include real estate properties for development, toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realizable value.

Real estate properties comprise completed properties held-for-sale, properties under development and properties to be developed. Completed properties held-for-sale represent those properties completed and for sale, while properties under development represent those properties still in construction and for sale purposes, and properties to be developed represent those purchased lands which have been planned to be constructed as completed properties held-for-sale.

(2) Costing of inventories

The cost of completed properties held-for-sale are determined using the specific identification method, which comprise the land cost, construction cost and other cost. The toll tickets, low value consumables, maintenance and repair parts and materials in stock's costs are determined using the weighted average method.

(3) Basis for the determination of net realisable value and provisions for declines in the value of inventories

Provisions for declines in the value of inventories are determined at the excess of the carrying value of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to achieve completion and to make the sale and related taxes.

Inventory system adopts the Perpetual Inventory Systems.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Held for sale

A non-current asset or a disposal group satisfying the following conditions is classified as held for sale: (1) Non-current asset or disposal group can be disposed of immediately according to the customary provisions provided for the disposal of such non-current asset or disposal group; (2) the Group has made a resolution for disposal of the non-current asset or disposal group which has been approved; (3) an irrevocable contract with the transferee has been signed and; (4) the transfer will be completed within one year. Non-current assets, except for financial assets, investment properties measured in fair value and deferred tax assets, which meet the recognition criteria for held for sale are measured at the amount equal to the lower of the fair value less costs to sell and the book value. Any excess of the original book value over the fair value less costs to sell is recognized as an asset impairment loss.

Assets and liabilities included in the non-current asset or disposal group that have been classified as held for sale are categorized as current assets and current liabilities, and disclosed separately in the statement of financial position.

13. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries as well as the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other venturers. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

(1) Determination of investment costs

For long-term equity investments acquired through a business combination: for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs. Where the initial investment cost of a long-term equity investment is acquired through a business combination involving enterprises under common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration of the combination is adjusted to capital reserve (and the excess goes to retained earnings, if any). For other comprehensive income before the combination date, it is accounted for on the same basis as would have been required if the investee has directly disposed of the related assets or liabilities. The investee's shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss when the related investment is disposed of. Among which investments remain long-term after disposal are recognized in proportion, investments converted to financial instruments after disposal are recognized in total.

For long-term equity investments acquired not through a business combination: for long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (continued)

(2) Subsequent measurement and the methods of investment income recognition

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Group recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the book value of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues recognising the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, comprehensive income and profit distribution, the Group records its proportionate share directly into capital surplus. The book value of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

On disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues using the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities. Shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss in entirety. When the Group continues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities and charged to the current period profit or loss on a pro-rata basis. Shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss on a pro-rata basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (continued)

(3) Basis for determination of the existence of control, joint control or significant influence over the investees

Control is the power to the investee, to make itself exposed to, or has rights to, variable returns from its involvement with the investees and has the ability to affect those returns through its power over the investees.

Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control.

Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

(4) Impairment of long-term equity investments

The book value of long-term equity investments in subsidiaries, joint ventures and associates is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

14. Investment properties

Investment properties, principally comprising buildings that are held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognised in profit or loss in the period in which they are incurred.

The Group adopts the cost model for the subsequent measurement of investment properties. Buildings and land use rights are depreciated or amortised to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual amortisation rates of the investment properties are as follows:

	Estimated useful life	Estimated residual value rate	Annual amortisation rate
Car parking spaces	30 years	–	3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, net residual value of the investment property and the amortisation method applied are reviewed and adjusted as appropriate at each year-end.

An investment property is derecognised on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sale, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

The carrying amount of investment properties is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.19).

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets

(1) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic equipment, motor vehicles, and office and other equipment.

Fixed assets are recognised when it is probable that related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the date of acquisition. The cost and accumulated depreciation of fixed assets injected by state shareholders to the Company on 1 January 1997 were recognised according to the valuation results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognised. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

Type	Depreciation method	Estimated useful lives (year)	Estimated residual value rate	Annual depreciation rate
Buildings				
– Office building	Straight-line	20-30 years	5%	3.17%-4.75%
– Temporary house	Straight-line	5-10 years	5%	9.50%-19.00%
– Structure	Straight-line	15 years	5%	6.33%
Traffic equipment	Straight-line	5-10 years	0%-5%	9.50%-20.00%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-19.00%
Office and other equipment	Straight-line	3-5 years	0%-5%	19.00%-33.33%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at least at each year-end.

(3) Impairment of fixed assets

The book value of fixed assets is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

(4) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its book value and related taxes and expenses is recognized in profit or loss for the period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs and borrowing costs that are eligible for capitalization and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciates from the following month. The book value of construction in progress is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

17. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for acquisition and construction for its intended use commencing to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

For the general borrowings occupied by the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by multiplying the weighted average effective interest rate of general borrowings used and the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the period of expected duration or shorter period applied discounted to the initial amount of the borrowings.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets

Intangible assets include concession intangible assets, billboard use right and software and are measured at cost.

(1) Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost because the Group subcontracts the construction to the third parties instead of providing actual construction service, which comprises construction prices, construction related costs and borrowing costs that are eligible for capitalization and incurred before the toll roads are ready for their intended use. The concession intangible assets are initially stated at actual project costs or budget costs and then adjusted to the actual costs when project completion audit is finalized.

The concession intangible assets relating to the toll roads injected by the state-owned shareholders on 1 January 1997 were stated at valuation, which were performed by the asset valuation firms and the values were certified by the State-owned Assets Supervision and Administration Bureau ("SASAB") in accordance with Guo Zi Ping (1996) No.911. The land-use right relating to Shenzhen Airport-Heao Expressway (Western Section) injected to the Company by the promoter of the Company during the restructuring period of the Group was stated at the then revaluation amount admitted by SASAB on 30 June 1996. The land-use right relating to Meiguan Expressway owned by Shenzhen Meiguan Expressway Company Limited ('Meiguan Company'), the subsidiary, was injected by Xin Tong Chan Development (Shenzhen) Company Limited ('Xin Tong Chan Company'), one of the promoters of the Company, at the value specified in the respective investment agreement.

When toll roads are ready for their intended use, amortization of concession intangible assets is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage ("unit usage"), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or book value of the concession intangible assets, and then write off the concession combined with the actual traffic volume during each accounting period.

The Company has set policy to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material difference between actual traffic volume and projected traffic volume exists, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortized in the operating period.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets (continued)

(1) Concession intangible assets (continued)

The respective operating period and amortisation units of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to April 2026 (Section A), July 2003 to July 2028 (Section B), March 2010 to March 2035 (Section C)	4.49
Yanpai Expressway	May 2006 to March 2027	1.97
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to January 2033	4.71
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	26.54
Shuiguan Expressway	March 2002 to January 2026	5.86
Yichang Expressway	January 2004 to December 2033	9.53
Changsha Ring Road (Northwestern Section)	November 1999 to October 2029	2.45

Subsequent expenditures incurred for concession intangible assets are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. All the other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

(2) Other intangible assets

Billboard use rights are amortized on the straight-line basis over their useful lives of 5 years. Purchased software is amortized on the straight-line basis over 5 to 10 years.

(3) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortisation method are performed at each year-end.

(4) Impairment of intangible assets

The book value of intangible assets is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance sheet date; intangible asset that is not ready for its intended use is tested at least annually. If the result of the impairment test indicates that the recoverable amount of the asset is less than its book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its book value, the corresponding impairment loss is recognized. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the book value of other assets within the asset groups or groups of asset groups in proportion to the book value of other assets.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

20. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures but should be recognized as expenses for the current and subsequent periods, which in total are more than one year. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization on the balance sheet date.

21. Employee benefits

Employee benefits represent all kinds of allowances and compensations paid by the Group for services rendered by employees or for termination of employment relationship, which mainly include short-term wages, pension benefits, termination of employment benefits and other long-term staff welfares.

(1) Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labor union funds, employee education funds and short term paid absence and etc. Actual short-term wages are recognized as liabilities in the periods when the employees render services and are charged to profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Employee benefits (continued)

(2) Accounting treatment of pension benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund and the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan other than a defined contribution plan. During the reporting period, the Group's pension benefits are mainly pension insurance and unemployment insurance which are both defined contribution plans.

(a) Basic pension insurance

The Group's employees participate in the basic social pension insurance organized and implemented by the local labor and social security bureau. The Group paid the basic pension issuance expenses monthly to designated insurance companies for its employees according to the basis amounts and rates determined by the local regulations. After retirement, the local labor and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognized as liabilities during the periods when the employees render services and are recognized in profit or loss or capitalized in costs of related assets.

(b) Enterprise annuities plan

Beside the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with relevant national enterprise annuity system policies ('enterprise annuities plan'), in which the Group's employees can voluntarily participate. The Company shall count the annuities according to a certain proportion of employees' total wages, the corresponding expenditures shall be recorded in current profit or loss. Exception for this, the Company did not have any other significant social insurance commitment to its employees.

(3) Accounting treatment of termination benefits

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or compensation to encourage employees' voluntary layoffs, which is recognized as a liability and in profit or loss on the earlier of the date the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and the date costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

22. Provisions

As part of its obligations under the respective service concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates. Provisions for maintenance and resurfacing are recognized when the Group has a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increased amount of the book value of provisions, caused by discount restoration with the time passing by, is recognized as interest expenses.

The book value of provisions is reviewed at each balance sheet date and adjusted in order to reflect the best estimate for the current period.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

Revenue is recognized when the economic benefits related to the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

- (1) The Group's toll revenue from the operations of toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow into the Group.
- (2) For construction management services, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured by making reference to the actual construction costs and related management expenses incurred till the balance sheet date as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.
- (3) Income from property sales is recognized when the Group signs a contract with a buyer, then obtains the proof of the buyer's payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and doesn't have a proper reason to reject it, related revenue is recognized after the time limit of the information is over.
- (4) Revenue from entrusted services is recognized on a straight-line basis over the contract period.
- (5) For the service concession contracts entered into with the government departments, according to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognized no construction services revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.
- (6) The Group's revenue from services like engineering consulting is recognized using the completion percentage method when the result of trade-in services can be measured reliably. The completion percentage is determined by the measurement of work completed or the proportion of labor provided among the total labor or the proportion of cost provided among the total cost. In case that results of trade-in services cannot be measured reliably, if the labor cost provided can be recovered, the amount of labor income is recognized according to the amount of labor cost provided and to carry forward the same amount of the labor cost. If the labor cost provided cannot be recovered, the labor cost provided is recognized in the current profit or loss and the related revenue will not be recognized.
- (7) Advertising revenue is recognised on a straight-line basis over the contract period.
- (8) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.
- (9) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at nil consideration, including refund of taxes and financial subsidies, etc.

A government grant is recognized when the condition attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at the amount received or receivable. The non-monetary grant from the government is measured at its fair value.

(1) The criterion and accounting treatment of government grants related to assets

Government grants related to assets represent grants obtained from the government which are to compensate long-term assets purchased or obtained in other ways.

Government grants related to assets are recognized as deferred income and evenly distributed in profit or loss over the useful period of related assets. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period.

(2) The criterion and accounting treatment of government grants related to income

Government grants related to income represent those government grants other than related to assets.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized immediately in profit or loss for the current period.

25. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences between the tax bases of assets and liabilities and their book value (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of taxable profits in accordance with the tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profits will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profits will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Deferred tax assets and deferred tax liabilities (continued)

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Group and the same taxation authority; and
- that tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

26. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

(1) Operating leases

As lessee of an operating lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term, and either included in the cost of the related asset or charged to profit or loss of the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

As lessor of an operating lease

Rental income under an operating lease is recognized by a lessor on a straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

(2) Finance leases

As lessee of a finance lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge, which is amortized using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

27. Dividend distribution

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

29. Other significant accounting policies and accounting estimates

Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on the financial position, operating results and cash flows of the segment is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Others

Critical accounting estimates and judgments:

The Group continuously evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below:

(1) The estimation of construction management services income and costs

As stated in Note III.23 (2), the Group recognised revenue from construction management services using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

During the current period, the directors of the Company recognised construction management service income and costs according to the optimum estimation on the total investment top limit, project costs as well as other construction management service costs.

If the total budget for the project and project costs as well as the actual construction management service costs is different from management's current estimates, the construction management service income and costs will be changed prospectively.

(2) Amortisation of concession intangible assets

As stated at Note III.18 (1), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the amortisation of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in 2006, 2010, 2013, 2014 and 2015 and respectively perform independent traffic volume study on Wuhuang Expressway and Yichang Expressway in 2016 and 2017, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

The Company has entered into an agreement with Transport Commission of Shenzhen Municipality ("Shenzhen Transportation Bureau") related to the toll adjustment and compensation arrangements of Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Expressways") at the end of 2015. Because of the uncertainty of the tolls levied by the Shenzhen Transportation Bureau, the agreement does not change the amortisation method of the Three Expressways as concession intangible assets. The amortisation is still based on expected traffic volume during the concession periods.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Others (continued)

(3) Provisions for maintenance/resurfacing obligations

As stated at Note III.22, the Group has contractual obligations under service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrading services, are to be recognized and measured as a provision.

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

If the expected expenditures, resurfacing plan and discount rate are different from management's current estimates, the provision for maintenance/resurfacing will be changed prospectively.

(4) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. Some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that it is probable to generate enough taxable incomes in the foreseeable future that the deductible losses will be utilized. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable incomes of the company which has tax loss. Where the final outcome of timing and amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Others (continued)

(5) Estimate of fair value of the identifiable net assets acquired

During the year 2015, the Company's wholly-owned subsidiary Mei Wah Company purchased 10% equity interests of Shenzhen Qinglong Expressway Co., Ltd. ("Qinglong Company") indirectly by purchasing 100% equity interests of Fameluxe Investment with a cash consideration of RMB280 million. After completion of the transaction, the Group will directly and indirectly hold an aggregate of 50% equity interests of Qinglong Company, and obtain control over Qinglong Company.

The purchase agreement includes triggering conditions for consideration adjustment: 1) Qinglong Company and the local government authority enter into an agreement in relation to the traffic management arrangement and adjustment scheme of Shuiguan Expressway on or before 31 December 2016, and the comparable price is lower than the preliminary consideration; 2) from the date of signing of the share transfer agreement to 31 December 2016, the aforesaid adjustment agreement is not yet entered into and the relevant government authorities failed to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of the concession granted under the approval is shorter than five years. Based on available information and data, the Company made the best estimate that Qinglong Company was probable to obtain an approval of additional 4 tolling years before 31 December 2016, and the acquisition consideration of the 10% interests was estimated at RMB266 million.

On 31 December 2016, due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before the original adjustment period (31 December 2016), Mei Wah Company, Hetai investment Company and Huayu Company and its actual controller, Mr. Chen Yangnan signed the "Supplemental Agreement", to extend the original time limit on 31 December 2016 to 31 December 2018, the price adjustment triggering conditions were changed to: 1) Shenzhen Government entered into an adjustment fee agreement with Qinglong Company before 31 December 2018, and the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement is lower than the preliminary consideration; 2) On or before 31 December 2018, the aforesaid adjustment arrangement is not yet entered into and the relevant government authorities failed to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval is shorter than 5 years. The Company made the best estimate based on the available information and data, and said that Qinglong Company was likely to obtain approval for extension of 4 years before 31 December 2018, correspondingly, purchase price of the 10% equity remained at RMB266 million.

(6) Impairment of concession intangible assets

The recoverable amount of the intangible assets should be estimated when considering the assets impairment.

When considering the impairment tests of the concession intangible assets, the management of the Company had calculated the future cash flows of the toll roads and determined the recoverable amount. The key assumptions of this calculation included the estimated growth rate of the traffic volume, the standards of toll road charge, operating period, maintenance cost and required return rate. Under the previous assumptions, the Group's management considered that a concession intangible asset has a higher recoverable amount than the book value, the impairment of a concession intangible asset is not necessary during the current period. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

IV. TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Business tax	Revenue from expressway toll road business (from 1 January 2016 to 30 April 2016)	3%
Business tax	Entrusted management income and revenue from businesses other than expressway toll road (from 1 January 2016 to 30 April 2016)	5%
Value added tax (VAT)	Revenue from expressway toll road business (from 1 May 2016)	3%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Taxable advertisement income	6%
VAT	Real estate development income and property operating lease income	5%(simply impose)
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ('CIT')	Taxable income	Except the companies in the nest chart, 25%
Land Appreciation Tax	The gain value for the transfer of real estate	Four level progressive rates, 30%-60%

The applicable CIT rate of the Company and its subsidiaries are analysed as follows:

The Company	Applicable tax rate
Fameluxe investment (1)	16.5%

- (1) Fameluxe investment is incorporated in Hong Kong with the applicable income tax rate of 16.5%.

2. Tax preference

Please refer to Note IV.1. for details.

3. Others

According to Guoshuihan (2010) No.651, "Reply letter from the State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited", issued by the State Administration of Taxation on 30 December 2010, Mei Wah Company, Maxprofit Company and JEL Company were recognized as resident enterprises of China and would be subject to the relevant taxation administration with effect from 2008.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at banks and on hand

Item	30 June 2017	31 December 2016
Cash on hand	10,231,518.65	11,843,113.81
Bank deposits	2,944,051,592.25	5,652,054,726.98
Total	2,954,283,110.90	5,663,897,840.79
Including: cash abroad	43,461,814.91	27,938,618.48

The Company is engaged to manage highway construction projects. As at 30 June 2017, project funds retained for construction management were RMB1,145,358,509.75 (31 December 2016: RMB1,420,258,174.78). Cash on hand amounts was RMB11,277.96, and bank deposits were RMB1,145,347,231.79. The above project funds retained for construction management and frozen bank balances (if any) were disclosed as restricted bank balances in the cash flow statement (Note V.49).

2. Financial assets at fair value through profit or loss

Item	30 June 2017	31 December 2016
Financial assets designated as at fair value and whose changes are recorded in the current profit or loss	13,810,965.43	74,991,317.77
Including: derivative instruments investment	13,810,965.43	74,991,317.77
Total	13,810,965.43	74,991,317.77

The financial assets at fair value through profit or loss mainly comprise a forward foreign exchange contract. On 18 July 2016, the Group issued a 5-year long-term bonds whose face value was 300 million US Dollar ("USD"). On 27 July 2016, the Company signed the USD155 million and USD140 million foreign exchange swap business agreements with China Merchants Bank and CITIC Bank, which is matured on 27 July 2017 and 31 July 2017 respectively. These contracts were recognized at fair value through profit or loss. For the six months ended 30 June 2017, a fair value loss of RMB61,180,352.34 was recognized (Note V.42).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Accounts receivable

(1) Accounts receivable are analysed by category as follows:

Category	30 June 2017					31 December 2016				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book value	Amount	% of total balance	Amount	% of total balance	Book value
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	441,580,200.76	100.00	-	-	441,580,200.76	545,051,289.43	100.00	-	-	545,051,289.43
Group 1	378,214,757.17	85.65	-	-	378,214,757.17	475,473,402.86	87.23	-	-	475,473,402.86
Group 2	63,365,443.59	14.35	-	-	63,365,443.59	69,577,886.57	12.77	-	-	69,577,886.57
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	441,580,200.76	100.00	-	/	441,580,200.76	545,051,289.43	100.00	-	/	545,051,289.43

An aged analysis of the accounts receivable in Group 2 is as follows:

Aging	30 June 2017		
	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	62,906,989.01	-	-
1 to 2 years	381,096.09	-	-
2 to 3 years	77,358.49	-	-
Total	63,365,443.59	-	-

(2) Accumulated accounts receivable from the five largest debtors

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors	357,125,240.35	-	80.87%

(3) The aging of accounts receivable according to the recognition date is analysed below:

	30 June 2017	31 December 2016
Within 1 year	108,068,347.46	110,646,743.13
1 to 2 years	17,495,872.59	59,731,559.61
2 to 3 years	38,014,649.19	258,731,262.15
Over 3 years	278,001,331.52	115,941,724.54
Total	441,580,200.76	545,051,289.43

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Advances to suppliers

(1) Advances to suppliers presented on the basis of their respective nature:

	30 June 2017	31 December 2016
Prepaid land-transferring fund	226,901,955.83	226,901,955.83
Other	22,212,008.58	19,083,711.30
Total	249,113,964.41	245,985,667.13

As at 30 June 2017, the amount represents payment of land-transferring fund and related deed taxes made by Guishen Company and its subsidiaries, as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with an area of approximately 629.41 mu. The amount was recorded in prepayment as the delivery conditions in the acquisition contract had not been met. The Company plans to transfer the land use right in the open market or develop the land on its own or through cooperation with others to realize the value of the land.

(2) The aging of advances to suppliers is analysed below:

Aging	30 June 2017		31 December 2016	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	14,988,944.96	6.02	103,444,593.16	42.05
1 to 2 years	92,570,689.48	37.16	58,863,155.27	23.93
2 to 3 years	57,876,411.27	23.23	83,565,125.70	33.97
Over 3 years	83,677,918.70	33.59	112,793.00	0.05
Total	249,113,964.41	100.00	245,985,667.13	100.00

As at 30 June 2017, advances to suppliers over 1 year mainly comprised prepayment for acquisition of land use rights. The advances to suppliers have not been carried over because the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

(3) Accumulated advances to suppliers from the five largest suppliers

	Amount	% of total balance
Total accumulated advances to suppliers from the five largest suppliers	234,698,045.88	94.21%

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Dividends receivable

Item	30 June 2017	31 December 2016
Bank of Guizhou Co., LTD ("Guizhou Bank") (a)	29,050,000.00	—
Guangdong Jiangzhong Expressway Co., LTD ("Jiangzhong Company") (b)	8,188,200.00	—
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company') (c)	7,575,140.00	—
Consulting Company (d)	1,259,892.11	—
Total	46,073,232.11	—

- (a) On 28 April 2017, the shareholders' meeting of Guizhou Bank approved a profit distribution plan to pay all shareholders a cash dividend equivalent to 7% of the number of issued and outstanding shares. The Company should receive a dividend in the amount of RMB29.05 million. As at 30 June 2017, no dividends were received.
- (b) On 28 February 2017, the board of Jiangzhong Company approved a profit distribution plan to pay all shareholders a cash dividend of RMB32.75 million and distribute on the percentage of shareholdings. The Company should receive a dividend in the amount of RMB8.19 million. As at 30 June 2017, no dividends were received.
- (c) On 2 March 2017, the Shareholders' meeting of GZ W2 Ring Company approved a profit distribution plan to pay all shareholders a cash dividend of RMB101.04 million and distribute on the percentage of shareholdings. The Company should receive a dividend in the amount of RMB25.25 million. As at 30 June 2017, a dividend in the amount of RMB17.67 million was received while RMB7.58 million was not received yet.
- (d) On 10 March 2017, the board of Consulting Company approved a profit distribution plan to pay all shareholders a cash dividend based on the issued capital RMB18.75 million and distribute RMB0.28 yuan (including tax) per issued share. The Company should receive a dividend in the amount of RMB1.26 million. As at 30 June 2017, no dividends were received.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables

(1) Other receivables are analysed by category as follows:

Item	30 June 2017					31 December 2016				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	% of total balance		Amount	% of total balance	Amount	% of total balance	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	155,278,601.15	100.00	-	-	155,278,601.15	99,297,652.11	100.00	-	-	99,297,652.11
Group 1	85,885,221.31	55.31	-	-	85,885,221.31	81,385,935.65	81.96	-	-	81,385,935.65
Group 2	69,393,379.84	44.69	-	-	69,393,379.84	17,911,716.46	18.04	-	-	17,911,716.46
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	155,278,601.15	100.00	-	/	155,278,601.15	99,297,652.11	100.00	-	/	99,297,652.11

An aged analysis of the other receivables in Group 2 is as follows:

Aging	30 June 2017		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	38,219,209.73	-	-
1 to 2 years	27,656,012.41	-	-
2 to 3 years	3,518,157.70	-	-
Total	69,393,379.84	-	-

(2) Other receivables by nature are analysed as follows:

Nature	30 June 2017	31 December 2016
Advances	101,585,561.19	56,671,625.89
Refund of land property changes receivable	26,451,077.06	26,451,077.06
Guarantee deposit for equity auction	11,000,000.00	5,000,000.00
Administrative imprest	3,715,783.30	3,264,894.25
Staff advances	2,940,469.64	2,843,026.52
Others	9,585,709.96	5,067,028.39
Total	155,278,601.15	99,297,652.11

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

(3) The five largest other receivables are analysed as follows:

Company name	Nature	30 June 2017	Aging	% of total balance	Provision for bad debts
The Government of Longhua District, Shenzhen	Receivables in relation to the advances of the toll adjustment and newly built support facility of Meiguan Expressway	54,353,901.07	Within 2 years	35.01	–
Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	Receivables in relation to the advances of the toll adjustment and newly built support facility of the comprehensive management project of Nanmen River	38,036,508.59	Within 1 year	24.50	–
The Government of Longli County, Guizhou Province	Refund of land property changes receivable	26,451,077.06	1 to 2 years	17.03	–
Shenzhen United Property and Share Right Exchange Co., Ltd	Guarantee money for transfer of shares	6,000,000.00	Within 1 year	3.86	–
Shenzhen Ping An Innovation Capital Investment Co., Ltd ("Ping An Innovation")	Guarantee money for transfer of shares	5,000,000.00	Within 1 year	3.22	–
Total	/	129,841,486.72	/	83.62	–

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1) Inventory classification

Item	30 June 2017			31 December 2016		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties held for development (a)	344,298,975.54	–	344,298,975.54	408,182,694.46	–	408,182,694.46
Properties under development (b)	282,033,931.08	–	282,033,931.08	176,361,556.55	–	176,361,556.55
Properties held for sale	36,002,195.99	–	36,002,195.99	74,804,315.38	–	74,804,315.38
Toll tickets	4,279,123.53	–	4,279,123.53	2,843,991.28	–	2,843,991.28
Maintenance and repair parts	569,279.01	–	569,279.01	619,479.01	–	619,479.01
Low value consumables	303,607.77	–	303,607.77	301,484.83	–	301,484.83
Total	667,487,112.92	–	667,487,112.92	663,113,521.51	–	663,113,521.51

(a) Properties under developed were the lands held by the Group located in Longli County to be developed, among which the lands held by Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) were parts of the construction of Phase II to Phase V of “Interlaken Town Project”. For the rest of the lands, the Group had no explicit development plans.

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 30 June 2017	Opening balance on 1 January 2017
Phase I Stage II of “Interlaken Town Project”	April 2016	November 2017	300,000,000.00	134,427,180.30	103,741,414.11
Phase II Stage I of “Interlaken Town Project”	May 2017	May 2019	480,000,000.00	74,649,610.83	–
Public area	December 2015	/	/	72,957,139.95	72,620,142.44
Total	/	/	780,000,000.00	282,033,931.08	176,361,556.55

(2) Borrowing cost capitalization

During the period, the Group had capitalized borrowing costs amounting to RMB481,277.57 (the same period in 2016: RMB1,274,368.12) on properties under development.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Current portion of non-current assets

Item	30 June 2017	31 December 2016
Receivables from Longli BT Project (Note V.12 (1)(a))	76,538,272.87	103,789,895.59
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway (Note V.12 (1)(b))	20,379,244.25	20,379,244.25
Total	96,917,517.12	124,169,139.84

9. Other current assets

Item	30 June 2017	31 December 2016
Prepaid tax	23,485,289.65	14,329,427.09
Financial products	–	550,000,000.00
Total	23,485,289.65	564,329,427.09

As at 30 June 2017, the Group has no financial products. As at 31 December 2016, financial products recognized as other current assets including Ping An Bank guaranteed financial products of RMB150 million, the national development bank guaranteed financial products of RMB100 million, Zhuhai Huarun bank guaranteed financial products of RMB100 million and Huaxing bank guaranteed financial products of RMB200 million. The duration of such financial products are less than half a year. For the six months ended 30 June 2017, the Group had redeemed such financial products.

10. Long-term prepayments

Item	30 June 2017	31 December 2016
Construction prepayments from the Outer Ring Company	196,784,915.51	181,368,018.86
Prepayments for resettlement	3,329,760.00	3,329,760.00
Total	200,114,675.51	184,697,778.86

At 30 June 2017, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District of Outer Ring Expressway amounting to RMB196,784,915.51, the prepayments will be settled according to the progress of the construction.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Available-for-sale financial assets

(1) General information of available-for-sale financial assets

Item	30 June 2017			31 December 2016		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instrument:						
– Measured at cost	43,490,000.00	–	43,490,000.00	43,490,000.00	–	43,490,000.00
Total	43,490,000.00	–	43,490,000.00	43,490,000.00	–	43,490,000.00

(2) Available-for-sale financial assets measured at costs

Investee	Carrying amount				Allowance for impairment				Share holding (%)	Cash dividends during the period
	Opening balance	Additional during the period	Deduction during the period	Closing balance	Opening balance	Additional during the period	Deduction during the period	Closing balance		
Guangdong United Electronic Services Co., LTD ("United Electronic Company")	43,490,000.00	–	–	43,490,000.00	–	–	–	–	12.86	–
Total	43,490,000.00	–	–	43,490,000.00	–	–	–	–	12.86	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables

(1) General information:

Item	30 June 2017			31 December 2016			
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	Range of discount rate
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (a)	76,538,272.87	-	76,538,272.87	103,789,895.59	-	103,789,895.59	9%
Receivables from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (b)	20,379,244.25	-	20,379,244.25	20,379,244.25	-	20,379,244.25	4.75%-6.15%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba, Yanpai and Nanguang ("Three Expressways")	12,019,232.87	-	12,019,232.87	12,019,232.87	-	12,019,232.87	-
Receivable on Billboard quality deposits	4,500,000.00	-	4,500,000.00	4,500,000.00	-	4,500,000.00	-
Sub-total	113,436,749.99	-	113,436,749.99	140,688,372.71	-	140,688,372.71	/
Less: Current portion	96,917,517.12	-	96,917,517.12	124,169,139.84	-	124,169,139.84	/
Total	16,519,232.87	-	16,519,232.87	16,519,232.87	-	16,519,232.87	/

- (a) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As at 30 June 2017, accounts receivable due from Longli BT project amounted to RMB76.53 million, is expected to be received all before the end of this year. For the current period, RMB3,891,690.99 (the same period in 2016: RMB5,226,953.81) is recognized as interest income based on the effective interest method.
- (b) The Company and Meiguan Company (a subsidiary of the Company) entered into an "Agreement on the compensation of the adjustment of Meiguan Expressway and transfer of related assets" (the "Adjustment Agreement") with Shenzhen Transportation Bureau and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to the Adjustment Agreement, the section from Meilin to Guanlan of Meiguan Expressway with a distance measured at approximately 13.8 km ("Toll Free Section") was toll-free from the midnight of 31 March 2014. The People's Government of Shenzhen undertook to make cash compensation to the Company. The balance represented the compensation receivables and related interest income from the Shenzhen Municipal Government as at 30 June 2017, which is expected to be settled in 2017.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments

Investee	31 December 2016	Current period movement					30 June 2017	Share holding (%)	Impairment provided in the current period
		Current period Additions	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost recovered	Others			
Joint ventures									
Changsha Shenchang Expressway Company Limited ('Shenchang Company') (1)	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	51	-
Sub-total	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	/	-
Associates									
Consulting Company	44,704,298.83	-	2,928,578.61	-1,259,892.11	-	-	46,372,985.33	24	-
Shenzhen Huayu expressway investment company ('Huayu' company)	52,745,170.55	-	3,922,287.79	-8,000,000.00	-	-	48,667,458.34	40	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	303,593,845.96	-	11,404,097.27	-8,188,200.00	-	-	306,809,743.23	25	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	301,541,842.94	-	25,329,818.43	-26,313,390.93	-	-	300,558,270.44	25	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	291,675,894.82	-	41,732,050.31	-25,813,761.00	-	-	307,594,184.13	25	-
GZ W2 Company	248,169,322.23	-	19,720,097.11	-25,256,300.00	-	-	242,633,119.34	25	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	81,305,717.98	-	18,683,118.53	-	-	-	99,988,836.51	30	-
Guizhou Hengtongli Property Company Limited (Guizhou Hengtongli)	42,265,929.51	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ('Unit Land Company')	2,445,503,789.24	-	-193,345.32	-	-	-	2,445,310,443.92	49	-
Bank of Guizhou Co., LTD ('Bank of Guizhou') (2)	725,615,651.97	-	62,862,094.81	-29,050,000.00	-	-4,526,465.27	754,901,281.51	4.39	-
Chongqing Derun Environment Co., LTD ('Derun Environment') (3)	-	4,415,582,466.80	18,035,830.34	-	-	1,827,400.40	4,435,445,697.54	20	-
Sub-total	4,537,121,464.03	4,415,582,466.80	204,424,627.88	-123,881,544.04	-	-2,699,064.87	9,030,547,949.80	/	-
Total	4,703,281,506.17	4,415,582,466.80	211,504,377.66	-123,881,544.04	-11,058,312.73	-164,880,544.06	9,030,547,949.80	/	-

- (1) Shenchang Company's registered and main operated locations are in China. As at 1 April 2017, Shenchang Company became a subsidiary of the Company. Please refer to Note VI.1.
- (2) On 17 June 2016, in accordance with the approval and authorisation of the general meeting of Guizhou Bank, the Company got a place in board of directors of Guizhou Bank. Meanwhile, the Company became the fourth largest shareholder of Guizhou Bank and had significant influence on its operation. Therefore the Company accounted for Guizhou Bank as an associate under the equity method. On 13 March 2017, Guizhou Scientific Rick Company Limited made a capital injection of RMB60,040,000.00 to Guizhou Bank. The board sitting remain the same while the shareholding dropped from 4.41% to 4.39% and keep the place of the fourth largest shareholder of Guizhou Bank. According to the injection, the Company decreased its capital reserve by RMB293,171.09. Additionally, an adjustment of decreasing the other comprehensive income by RMB4,233,294.18 was made due to the movement of the other comprehensive loss in Guizhou Bank.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Long-term equity investments (continued)

- (3) On 25 May 2017, Shenzhen Expressway Environment Construction Management Co., LTD ("Environment Company") signed a property transaction contract with Chongqing Water Property Management Co., LTD ("Water Property") pursuant to which Environment Company purchase 20% of equity of Derun Environment at a consideration of by RMB408,644,500.00. On 6 June 2017, the change of business registration was completed by paying a transaction fee and stamp tax of RMB6,937,966.80, and the equity was delivered at the same day.

As a result, Derun Environment became an associate of the Company and is accounted for using equity method. Additionally, an adjustment of increasing the other comprehensive income by RMB1,827,400.40 was due to the movement of the other comprehensive income in Derun Environment.

- (4) The percentage of ownership interest of the associated enterprise holds the same as the percentage of voting power.

14. Fixed assets

(1) Fixed asset movement

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2016	716,952,104.23	1,330,920,369.62	28,880,912.12	45,191,677.67	2,121,945,063.64
Current period additions	43,895,190.65	67,451,916.80	5,591,335.75	13,256,174.29	130,194,617.49
- Purchase	-	1,029,581.60	110,000.00	2,771,749.01	3,911,330.61
- Addition from business combinations involving enterprises not under common control	43,895,190.65	66,422,335.20	5,481,335.75	10,484,425.28	126,283,286.88
Current period reductions	111,251.20	12,687.00	1,420,150.00	1,078,078.80	2,622,167.00
- Other disposal	111,251.20	12,687.00	1,420,150.00	1,078,078.80	2,622,167.00
30 June 2017	760,736,043.68	1,398,359,599.42	33,052,097.87	57,369,773.16	2,249,517,514.13
2. Accumulated depreciation					
31 December 2016	227,429,116.76	814,243,704.37	21,951,848.78	30,567,279.72	1,094,191,949.63
Current period additions	39,066,848.39	86,338,109.43	5,240,531.68	6,150,978.79	136,796,468.29
- Addition	16,912,703.55	54,532,286.28	1,194,395.25	2,232,043.20	74,871,428.28
- Addition from business combinations involving enterprises not under common control	22,154,144.84	31,805,823.15	4,046,136.43	3,918,935.59	61,925,040.01
Current period reductions	111,251.20	-	1,406,792.50	1,011,297.68	2,529,341.38
- Other reductions	111,251.20	-	1,406,792.50	1,011,297.68	2,529,341.38
30 June 2017	266,384,713.95	900,581,813.80	25,785,587.96	35,706,960.83	1,228,459,076.54
3. Net book value					
30 June 2017	494,351,329.73	497,777,785.62	7,266,509.91	21,662,812.33	1,021,058,437.59
31 December 2016	489,522,987.47	516,676,665.25	6,929,063.34	14,624,397.95	1,027,753,114.01

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (continued)

(2) Fixed assets lacking certificates of ownership

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	376,017,071.68	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

During the period, depreciation expenses amounting to RMB72,293,882.02 had been charged to cost of services (the same period in 2016: RMB79,283,040.81), and depreciation expenses amounting to RMB2,577,546.26 had been charged to general and administrative expenses (the same period in 2016: RMB2,934,513.81).

15. Construction in progress

(1) General information of construction in progress

Item	30 June 2017			31 December 2016		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Electromechanical project	3,471,105.22	–	3,471,105.22	3,471,105.22	–	3,471,105.22
End of Qinglian construction engineering project	2,278,974.05	–	2,278,974.05	–	–	–
Nation-wide ETC toll interconnection project	2,142,889.98	–	2,142,889.98	2,142,889.98	–	2,142,889.98
Maintenance planning research and maintenance information platform basic database construction project	1,743,754.46	–	1,743,754.46	1,743,754.46	–	1,743,754.46
Renovation project of Shuiguan Traffic sign and line marking	1,152,018.00	–	1,152,018.00	–	–	–
Billboard and light box projects	605,641.50	–	605,641.50	393,471.69	–	393,471.69
Others	7,521,573.02	–	7,521,573.02	5,824,276.46	–	5,824,276.46
Total	18,915,956.23	–	18,915,956.23	13,575,497.81	–	13,575,497.81

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress (continued)

(2) Movement of significant construction in progress during the period

Item	Budget amount	31 December 2016	Current period additions	Transfer to fixed assets	Other reductions in current period	30 June 2017	The proportion of the current period additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Shenzhen Expressway Electromechanical project	6 million	3,471,105.22	-	-	-	3,471,105.22	-	In progress	-	Self-owned funds
End of Qinglian construction engineering project	55 million	-	2,278,974.05	-	-	2,278,974.05	4.18	In progress	-	Self-owned funds
Nation-wide ETC toll interconnection project	53 million	2,142,889.98	-	-	-	2,142,889.98	-	In progress	-	Self-owned funds
Maintenance planning research and maintenance information platform basic database construction project	3 million	1,743,754.46	-	-	-	1,743,754.46	-	In progress	-	Self-owned funds
Renovation project of Shuiguan traffic sign and line marking	1.25 million	-	1,152,018.00	-	-	1,152,018.00	92.16	In progress	-	Self-owned funds
Billboard and light box projects	10 million	393,471.69	212,169.81	-	-	605,641.50	2.12	In progress	-	Self-owned funds
Others	*	5,824,276.46	1,697,296.56	-	-	7,521,573.02	-	In progress	-	Self-owned funds
Total		13,575,497.81	5,340,458.42	-	-	18,915,956.23	/	/	-	/

* The amounts of projects were not disclosed respectively as they are not material.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets

(1) General information of intangible assets

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2016	24,958,118,768.91	15,551,877.67	59,953,840.88	25,033,624,487.46
Current period additions	4,224,558,302.86	527,869.36	2,357,714.40	4,227,443,886.62
– Purchased	–	320,119.36	2,357,714.40	2,677,833.76
– Addition from business combinations involving enterprises not under common control	4,010,930,931.78	207,750.00	–	4,011,138,681.78
– Other additions	213,627,371.08	–	–	213,627,371.08
Current period reductions	5,598,182.95	21,398.86	737.90	5,620,319.71
– Other	5,598,182.95	21,398.86	737.90	5,620,319.71
30 June 2017	29,177,078,888.82	16,058,348.17	62,310,817.38	29,255,448,054.37
2. Accumulated amortisation				
31 December 2016	6,039,535,343.95	8,441,457.76	41,796,242.41	6,089,773,044.12
Current period additions	1,222,272,288.45	1,594,306.44	5,901,553.15	1,229,768,148.04
– Additions	578,571,256.71	1,386,556.44	5,901,553.15	585,859,366.30
– Addition from business combinations involving enterprises not under common control	643,701,031.74	207,750.00	–	643,908,781.74
Current period reductions	3,108,557.01	3,689.49	737.90	3,112,984.40
– Other reductions	3,108,557.01	3,689.49	737.90	3,112,984.40
30 June 2017	7,258,699,075.39	10,032,074.71	47,697,057.66	7,316,428,207.76
3. Impairment				
31 December 2016	620,000,000.00	–	–	620,000,000.00
30 June 2017	620,000,000.00	–	–	620,000,000.00
4. Net book value				
30 June 2017	21,298,379,813.43	6,026,273.46	14,613,759.72	21,319,019,846.61
31 December 2016	18,298,583,424.96	7,110,419.91	18,157,598.47	18,323,851,443.34

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets (continued)

(1) General information of intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below:

	Cost	31 December 2016	Current period additions	Current period amortisation	Transfer out current period amortisation	30 June 2017	Accumulated amortisation	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,212,538,154.17	–	119,807,807.32	–	7,092,730,346.85	1,568,259,351.86	620,000,000.00
Nanguang Expressway	2,807,360,838.16	2,336,172,008.82	702,460.78	43,081,202.96	–	2,293,793,266.64	513,567,571.52	–
Shenzhen Airport-Heao Expressway – Eastern Section	3,086,787,505.32	1,779,279,406.26	(5,383,006.52)	98,151,695.44	3,076,721.42	1,678,821,425.72	1,407,966,079.60	–
Shuiguan Expressway (b)	4,448,811,774.58	4,081,012,258.91	–	158,869,818.46	–	3,922,142,440.45	526,669,334.13	–
Yanba Expressway	1,255,337,192.11	904,255,257.60	–	25,907,965.85	–	878,347,291.75	376,989,900.36	–
Wuhuang Expressway	1,523,192,561.64	593,707,024.96	–	63,219,599.45	–	530,487,425.51	992,705,136.13	–
Meiguan Expressway	614,047,345.55	339,755,770.08	–	18,331,080.16	–	321,424,689.92	292,622,655.63	–
Yanpai Expressway	910,532,308.18	530,706,436.99	–	19,542,824.91	–	511,163,612.08	399,368,696.10	–
Shenzhen Airport-Heao Expressway – Western Section	843,517,682.25	338,295,790.50	–	20,136,663.48	–	318,159,127.02	525,358,555.23	–
Outer Ring Expressway (b)	395,786,226.97	182,861,316.67	212,924,910.30	–	–	395,786,226.97	–	–
Yichang Expressway (b)(d)	3,496,102,349.71	–	3,125,293,474.68	6,406,803.33	–	3,118,886,671.35	377,215,678.36	–
Changsha Ring Road –Northwestern Section (d)	514,613,405.64	–	241,721,248.93	5,115,795.35	31,835.59	236,637,289.17	277,976,116.47	–
Total of concession intangible assets	29,177,078,888.82	18,298,583,424.96	3,575,259,088.17	578,571,256.71	3,108,557.01	21,298,379,813.43	7,258,699,075.39	620,000,000.00

- (b) The pledge information relating to the concession intangible assets of Qinglian Expressway, Outer Ring Expressway, Yichang Expressway and Shuiguan Expressway are set out in Note V.28 (1)(b) and Note V.19.
- (c) For the six months ended 30 June 2017, the amount of amortisation of intangible assets was RMB585,859,366.30, which was the same as that charged to current period's income statement (the same period in 2016: RMB515,423,839.65).
- (d) During the period, the current period additions of concession intangible assets are mainly include Yi Chang Expressway and Changsha Ring Road due to the business combination involving entities not under common control, and the amount was the fair value on the acquisition date. For details please refer to Note VI.1.
- (e) During the period, the Group had capitalized borrowing costs on intangible assets amounting to RMB7,546,407.49 (the same period in 2016: Nil).

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

Item	30 June 2017		31 December 2016	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	138,910,334.93	34,727,583.73	151,909,757.93	38,083,478.80
Compensation provided by concession grantors (b)	74,796,639.48	18,699,159.87	76,978,938.56	19,244,734.64
Deductible tax losses (c)	140,882,206.76	35,220,551.69	233,903,147.40	58,475,786.85
Operating compensation of newly built tolls of Meiguan Expressway (d)	127,533,828.76	31,883,457.19	134,074,025.09	33,518,506.27
Difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (e)	54,949,460.88	13,737,365.22	54,949,460.88	13,737,365.22
Business combinations involving enterprises not under common control (f)				
– Shenchang Company	234,431,818.59	58,607,954.65	–	–
Payroll accrued but not paid	6,554,327.00	1,638,581.75	6,554,327.00	1,638,581.75
Other	11,228,977.96	2,807,244.49	3,968,474.72	992,118.68
Total	789,287,594.36	197,321,898.59	662,338,131.58	165,690,572.21
Including:				
Expected to be utilized within 1 year (including 1 year)		55,967,197.33		36,482,464.15
Expected to be utilized over 1 year		141,354,701.26		129,208,108.06
Total		197,321,898.59		165,690,572.21

- (a) The deferred tax asset was recognized based on the temporary difference generated between the tax base and accounting base of provisions for maintenance/resurfacing obligations of toll roads.
- (b) The deferred tax asset was recognized based on the temporary difference generated between the tax base and book value of compensation provided by concession grantors in prior years.
- (c) The Group estimated that Guangdong Qinglian Road Development Co, Ltd. ("Qinglian Company") could generate profit against which the deductible tax losses incurred in the current period and prior years can be utilized in the future. Accordingly, a deferred tax asset on deductible tax losses was recognized.
- (d) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway, and recognized the differences between the tax bases and book values as deferred income tax assets.
- (e) The Group recognized the difference between estimated costs of extension allocated to the Toll Free Section and its preliminary compensation according to the Toll Adjustment Agreement of Meiguan Expressway.
- (f) When the Company acquired equity interests of Shenchang Company, deferred tax assets were recognized on temporary differences between the fair value and book value of the respective identifiable assets and liabilities acquired.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities without taking into consideration the offsetting of balances

Item	30 June 2017		31 December 2016	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	617,027,749.44	154,256,937.36	154,883,671.40	38,720,917.85
Business combinations involving enterprises not under common control (b)				
– Qinglian Company	659,257,670.74	161,509,610.78	670,393,610.23	164,293,595.65
– Airport-Heao Eastern Company	1,176,850,370.60	294,212,594.65	1,245,608,189.65	311,402,049.41
– Qinglong Company	2,693,637,287.17	673,409,321.79	2,804,765,901.80	701,191,475.45
– JEL Company	402,159,115.48	100,403,945.33	453,112,488.94	113,142,288.70
– Meiguan Company	24,182,860.91	4,025,374.55	25,562,026.78	4,370,166.01
– Yichang Company	1,136,223,972.86	284,055,993.22	–	–
Foreign exchange swap (c)	13,810,965.43	3,452,741.35	74,991,317.77	18,747,829.44
Total	6,723,149,992.63	1,675,326,519.03	5,429,317,206.57	1,351,868,322.51
Including:				
Expected to be utilized within 1 year (including 1 year)		146,350,902.56		132,058,461.03
Expected to be utilized over 1 year		1,528,975,616.47		1,219,809,861.48
Total		1,675,326,519.03		1,351,868,322.51

- (a) The deferred tax liability was recognized based on the temporary difference generated between the tax base (straight line basis) and accounting base (traffic volume basis) of the amortisation of toll road concession intangible assets.
- (b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, Qinglong Company, JEL Company, Meiguan Company and Yichang Company, deferred tax liabilities were recognized on temporary differences between the fair values and book values of respective identifiable assets and liabilities acquired.
- (c) On 18 July 2016, the Group issued a 5-year long-term bond whose face value is USD300 million. On 27 July 2016, the company signed USD155 million and USD140 million currency swap agreements respectively with China Merchants Bank and China CITIC Bank and decided to recognize them as financial instruments on accounting. For the six months ended 30 June 2017, the amount of the loss due to changes in fair value of the financial instruments was RMB61,180,362.34, the corresponding deferred income tax liabilities amounting to RMB15,295,088.09 were settled at 30 June 2017. For the year of 2016, gains of changes in fair value for the financial instruments amounted to RMB74,991,317.77, the corresponding deferred income tax liabilities amounting to RMB18,747,829.44 were recognized.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Deferred tax assets and deferred tax liabilities (continued)

(3) Offsetting of balances of deferred tax assets and liabilities

Item	Deferred tax assets and liabilities offset as at 30 June 2017	Net values of deferred tax assets/liabilities as at 30 June 2017	Deferred tax assets and liabilities offset as at 31 December 2016	Net values of deferred tax assets/liabilities as at 31 December 2016
Deferred tax assets	-72,464,199.52	124,857,699.07	-112,548,468.31	53,142,103.90
Deferred tax liabilities	72,464,199.52	1,602,862,319.51	112,548,468.31	1,239,319,854.20

(4) Deductible tax losses that were not recognized as deferred tax assets are analysed as follows:

Item	30 June 2017	31 December 2016
Deductible tax losses	181,460,054.86	167,358,943.19
Total	181,460,054.86	167,358,943.19

(5) The aforesaid unrecognized deductible tax losses will be due in the following years:

Year	30 June 2017	31 December 2016
Year 2018	146,242,571.78	146,242,571.78
Year 2019	878,206.68	878,206.68
Year 2020	981,082.14	981,082.14
Year 2021	19,257,082.59	19,257,082.59
Year 2022	14,101,111.67	—
Total	181,460,054.86	167,358,943.19

18. Provision for impairment of assets

30 June 2017

Item	31 December 2016	Additions	Reductions	30 June 2017
Provision for impairment of concession intangible assets	620,000,000.00	—	—	620,000,000.00
Total	620,000,000.00	—	—	620,000,000.00

31 December 2016

Item	31 December 2015	Additions	Reductions	31 December 2016
Provision for impairment of concession intangible assets	620,000,000.00	—	—	620,000,000.00
Total	620,000,000.00	—	—	620,000,000.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Short-term borrowings

Item	30 June 2017	31 December 2016
Pledged (1)	1,118,256,000.00	—
Credit (2)	1,800,000,000.00	—
Total	2,918,256,000.00	—

- (1) On 30 June 2017, the interest rate on the loan of RMB870,000,000.00 was 5% lower than the benchmark interest rate, the pledge of the loan was the operating right of Shuiguan Expressway and the interest rate on the remaining loan of RMB248,256,000.00 was 0.8% higher than Libor, the pledge of the loan was 45% share in JEL.
- (2) On 30 June 2017, the interest rate on the loan of RMB500,000,000.00 was 4.35%; the interest rate on the loan of RMB400,000,000.00 was 3.915%; the interest rate on the loan of RMB50,000,000.00 was 5% lower than the benchmark interest rate, the interest rate on the loan of RMB750,000,000.00 was 10% lower than benchmark interest rate, the interest rate on the remaining loan of RMB100,000,000.00 was 15% lower than benchmark interest rate.

As at 30 June 2017, the Company has no overdue loans.

20. Accounts payable

(1) Analysis of accounts payable

Item	30 June 2017	31 December 2016
Payables for construction projects and quality deposits	252,088,378.15	203,791,383.02
Others	34,211,944.23	15,766,652.60
Total	286,300,322.38	219,558,035.62

(2) The significant accounts payable with aging over 1 year:

Item	30 June 2017	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	49,003,110.00	Project settlement has not been completed
CCCC Second Highway Engineering Co., LTD.	10,668,214.00	Project settlement has not been completed
CCCC Road & Bridge International Co., LTD.	10,378,558.45	Project settlement has not been completed
Powerchina Roadbridge Group Co., LTD.	8,644,166.31	Project settlement has not been completed
CCCC Third Highway Engineering Co., LTD.	8,051,314.00	Project settlement has not been completed
Total	86,745,362.76	/

(3) The aging of accounts payable according to the recognition date is analysed below:

	30 June 2017	31 December 2016
Within 1 year	130,391,552.62	80,205,204.28
1 to 2 years	42,507,069.94	12,924,752.75
2 to 3 years	64,838,064.25	76,725,985.16
Over 3 years	48,563,635.57	49,702,093.43
Total	286,300,322.38	219,558,035.62

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Advances from customers

(1) General information of advances from customers

Item	30 June 2017	31 December 2016
Advances from sales of real estates	311,622,832.00	167,578,202.00
Advances from agent-construction fee of Coastal Project Phase II	26,938,402.64	33,207,547.17
Advances from advertising customers	8,668,013.78	11,584,919.03
Advances from agent-construction fee of Outer Ring Project	7,412,224.80	13,971,964.09
Others	976,426.16	1,287,123.64
Total	355,617,899.38	227,629,755.93

As at 30 June 2017, account collected in advances from customers over 1 year was RMB39,820,157.16 (31 December 2016: RMB22,332,858.81) mainly comprised the advances from customers from Interlaken Town Project of Guishen Company. The balance of the advances from customers of sales of completed properties held-for-sale of Phase I Stage II, which are expected to be completed in November 2017, is RMB296,673,102.00, and the presale proportion of the completed properties held-for-sale is 96%.

22. Employee benefits payable

(1) Analysis of employee benefits payable

Item	31 December 2016	Current period additions	Current period reductions	30 June 2017
I. Short-term wages	108,642,178.60	171,599,482.34	246,185,957.99	34,055,702.95
II. Pension benefits – defined contribution plans	195,609.88	19,570,222.90	19,020,852.87	744,979.91
Total	108,837,788.48	191,169,705.24	265,206,810.86	34,800,682.86

(2) Analysis of short-term wages

Item	31 December 2016	Current period additions	Current period reductions	30 June 2017
I. Wages and salaries, bonuses, allowances and subsidies	103,835,659.29	133,210,672.09	209,077,345.30	27,968,986.08
II. Staff welfare	–	16,859,300.74	16,029,782.76	829,517.98
III. Social security contributions	45,838.62	7,776,422.48	7,454,194.72	368,066.38
Including: Medical insurance	38,504.57	6,532,216.54	6,261,544.32	309,176.79
Work injury insurance	2,399.78	407,117.74	390,248.21	19,269.31
Maternity insurance	4,934.27	837,088.20	802,402.19	39,620.28
IV. Housing funds	–	10,486,609.24	10,235,060.19	251,549.05
V. Labor union funds and employee education funds	4,036,522.70	3,217,281.72	2,977,953.53	4,275,850.89
VI. Others	724,157.99	49,196.07	411,621.49	361,732.57
Total	108,642,178.60	171,599,482.34	246,185,957.99	34,055,702.95

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Employee benefits payable (continued)

(3) Analysis of defined contribution plans

Item	31 December 2016	Current period additions	Current period reductions	30 June 2017
I. Basic pensions	83,573.11	14,177,995.85	13,590,509.27	671,059.69
II. Unemployment insurance	1,733.01	294,001.96	281,819.55	13,915.42
III. Enterprise annuities	110,303.76	5,098,225.09	5,148,524.05	60,004.80
Total	195,609.88	19,570,222.90	19,020,852.87	744,979.91

23. Taxes payable

Item	30 June 2017	31 December 2016
Corporate income tax payable	159,452,769.11	119,478,565.68
VAT payable	23,505,974.96	28,791,052.28
City maintenance and construction tax payable	1,821,204.78	1,956,555.02
Educational surcharge payable	846,189.80	913,933.73
Others	3,714,915.95	5,052,107.63
Total	189,341,054.60	156,192,214.34

24. Interest payable

Item	30 June 2017	31 December 2016
Interest of medium-term notes	66,788,780.31	45,423,765.19
Interest of corporate bonds	32,390,084.72	52,227,279.28
Interest of short-term borrowings	4,879,958.93	—
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	4,092,774.27	2,537,278.74
Total	108,151,598.23	100,188,323.21

25. Dividends payable

Item	30 June 2017	31 December 2016
Dividends payable to H share shareholders	164,450,000.00	—
Dividends payable to Ping An Innovation, the former shareholder of Yichang Company	133,496,614.91	—
Total	297,946,614.91	—

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables

(1) Analysis of other payables by nature

Item	30 June 2017	31 December 2016
Project funds retained for construction management contracts (a)	1,145,358,509.75	1,420,258,174.78
Payable related to costs of construction management services	149,175,168.12	152,775,168.12
Payable related to maintenance for roads	141,526,143.20	148,337,388.98
Payables due to associates	74,276,376.43	74,276,376.43
Payable of tender and performance deposit and warranty	71,847,851.78	86,589,998.90
Advance project expenditure and administrative special expenses	51,101,978.42	48,614,719.39
Equity deposit payable to Guizhou Wanjin Co., Ltd (Guizhou Wanjin Company)	29,968,000.00	29,968,000.00
Payables of acquisition of Fameluxe Investment	26,000,000.00	26,000,000.00
Borrowing from CCCC Second Highway Engineering Co., Ltd.	20,000,000.00	20,000,000.00
Subscription funds and down deposits received for real estate sales	19,055,000.00	1,190,000.00
Mechanical and electrical costs payable	7,871,985.23	11,204,391.89
Acquisition of minority interests of JEL company (b)	–	333,498,800.00
Payable of Longli BT project funds	–	12,271,031.52
Others	17,938,775.23	22,140,757.59
Total	1,754,119,788.16	2,387,124,807.60

- (a) The Company was entrusted by the Shenzhen Government for management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the entrusted contract to pay for the construction. According to the entrusted contract, the Company has to set up a special deposit account to settle the payment. As at 30 June 2017, project funds retained in the special deposit account amounting to RMB1,145,358,509.75 (31 December 2016: RMB1,420,258,174.78) were classified as a deposit in the special account of entrusted construction management and disclosed as restricted bank balance in the cash flow statement.
- (b) On 2 December 2016, Mei Wah Company entered into an equity transfer agreement with Shenzhen International's wholly-owned subsidiary, Flywheel Investments Limited ("Flywheel Investments"). Pursuant to the Equity Transfer Agreement, Flywheel Investments transferred a 45% interest of JEL Company to Mei Wah Company at a transfer price of RMB453,498,800.00. On 5 December 2016, the Group had paid the first RMB120 million and the remaining consideration of RMB333,498,800.00 was accrued at the one-year benchmark interest rate. On 3 and 7 April 2017, the Group had paid the remaining consideration and the interest.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables (continued)

(2) Significant other payables with aging over 1 year

Item	30 June 2017	Reason for unsettlement
GZ W2 Company	40,750,000.00	Dividend distribution not assigned
Nanjing Third Bridge Company	33,526,376.43	Dividend distribution not assigned
Guizhou Wanjin Company	29,968,000.00	Contract settlement has not been completed
Hetai Investment Company	26,000,000.00	Contract settlement has not been completed
Shandong Provincial Highway and Bridge Group Co., Ltd.	12,416,340.73	Contract settlement has not been completed
Total	142,660,717.16	/

27. Current portion of non-current liabilities

Item	30 June 2017	31 December 2016
Compensations related to the toll adjustment of Three Expressways due within one year (Notes V.32)	467,699,633.37	459,050,000.00
Current portion of non-current borrowings (Notes V.28 (1))	136,985,700.00	99,200,000.00
Including: Pledged	136,985,700.00	99,200,000.00
Current portion of provisions (Notes V.30)	24,435,584.90	24,435,584.90
Current portion of non-current bonds (Notes V.29 (1))	–	999,325,267.24
Total	629,120,918.27	1,582,010,852.14

28. Long-term borrowings

(1) Analysis of long-term borrowings

Item	30 June 2017	31 December 2016
Pledged	3,664,665,425.61	1,882,224,000.00
Less: Current portion	136,985,700.00	99,200,000.00
Total	3,527,679,725.61	1,783,024,000.00

(a) As at 30 June 2017, the Group's borrowings were repayable as follows:

Item	30 June 2017	31 December 2016
1 to 2 years	98,972,300.00	49,600,000.00
2 to 5 years	1,475,498,200.00	745,040,000.00
Over 5 years	1,953,209,225.61	988,384,000.00
Total	3,527,679,725.61	1,783,024,000.00

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Long-term borrowings (continued)

(1) Analysis of long-term borrowings (continued)

(b) As at 30 June 2017, details of the long-term pledged borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Pledge details
Syndicated borrowings of Qinglian(i)	4.41%-4.90%	RMB	1,832,624,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Yichang (ii)	4.90%-5.24%	RMB	1,352,114,719.62	Operating rights of Yichang Expressway
Syndicated borrowings of Outer Ring (iii)	4.41%	RMB	479,926,705.99	Operating rights of Outer Ring Expressway
Less: Current portion			136,985,700.00	
Total			3,527,679,725.61	

(i) As at 30 June 2017, the loan bears two interest rates: on one hand, the interest rate on RMB1,827,940,174.51 was 10% lower than the People's Bank of China benchmark interest rate for more than five years; on the other hand, the interest rate on the remaining RMB4,683,825.46 was the People's Bank of China benchmark interest rate for more than five years.

(ii) As at 30 June 2017, the loan bears two interest rates: on one hand, the interest rate on RMB527,214,719.62 was 7% higher than the People's Bank of China benchmark interest rate for more than five years; on the other hand, the interest rate on the remaining RMB824,900,000.00 was the People's Bank of China benchmark interest rate for more than five years.

(iii) As at 30 June 2017, the interest rate on the loan was 10% lower than the People's Bank of China benchmark interest rate for more than five years.

29. Bonds payable

(1) Bonds payable

Item	30 June 2017	31 December 2016
Corporate bonds	2,800,285,016.10	2,845,177,819.25
Medium-term notes	897,837,285.43	1,897,011,387.89
Sub-total	3,698,122,301.53	4,742,189,207.14
Less: Current portion of long-term bonds	–	999,325,267.24
Total	3,698,122,301.53	3,742,863,939.90

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Bonds payable (continued)

(2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2016	Current period issued	Accrual of interest by Par Value	Amortisation	Exchange gains - net	Current period repaid	30 June 2017
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	796,269,475.31	-	22,000,002.00	334,076.82	-	-	796,603,552.13
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,995,330,000.00	2,048,908,343.94	-	29,685,956.26	3,553,120.03	-48,780,000.00	-	2,003,681,463.97
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	999,325,267.24	-	18,350,916.66	674,732.76	-	-1,000,000,000.00	-
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	897,686,120.65	-	18,687,138.78	151,164.78	-	-	897,837,285.43
Total	/	/	/	4,695,330,000.00	4,742,189,207.14	-	88,724,013.70	4,713,094.39	-48,780,000.00	-1,000,000,000.00	3,698,122,301.53

(a) Corporate bonds

The Company issued long-term corporate bonds with a principal amount of RMB800,000,000.00 bearing a term of 15 years and interest of 5.5% per annum on 31 July 2007 in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by the National Development & Reform Commission. Interest is repayable annually and principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan.

The Company held a shareholder's meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and endowed the Board of Directors with the general license for issuance. On 18 July 2016, the Company issued a long-term bond with principal value of USD300 million, the bond issuance price is 99.46% of the principal value, bearing a term of 5 years and interest of 2.875% per annum. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 17 July 2021, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the bank loans and supplement the Group's operating capital.

(b) Medium term notes

Upon the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of Medium term notes amounting to RMB1,000,000,000.00, the Company completed the issuance on 7 May 2014, which bear a term of 3 years and interest rate of 5.50% per annum with interest repayable annually and principal repayable in full upon maturity on 8 May 2017. On 8 May 2017, the Company had repaid the full principal amount and the remaining interest.

The Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of medium-term notes amounting to RMB1,500,000,000.00. The registered quota is valid within 2 years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the medium-term notes in tranches during the validity period. On 14 August 2015, the Company issued the initial tranche of medium-term notes amounting to RMB900,000,000.00, which bear a term of 3 years and interest rate of 3.95% per annum with interest repayable annually and the principal repayable in full upon maturity on 18 August 2018.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Provisions

Item	30 June 2017	31 December 2016
Provisions for maintenance/resurfacing obligations	138,910,334.93	151,909,757.93
Less: Current portion	24,435,584.90	24,435,584.90
Total	114,474,750.03	127,474,173.03

31. Deferred income

Item	31 December 2016	Current year addition	Current year reductions	30 June 2017	Explanation
Non-current liabilities					
– Compensation to operating costs for Toll Free Section of Meiguan Expressway	134,074,025.09	–	6,540,196.33	127,533,828.76	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
– Government compensation for demolition	24,722,899.98	–	1,373,494.44	23,349,405.54	Government compensation for demolition of Qinglong Company
Sub-total	158,796,925.07	–	7,913,690.77	150,883,234.30	
Current liabilities					
– Return of deed taxes	2,646,278.06	209,982.30	22,478.68	2,833,781.68	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company
Total	161,443,203.13	209,982.30	7,936,169.45	153,717,015.98	

Items of government grants:

Item	31 December 2016	Additional grants in current period	Recognized in non-operating income in current period	Other changes	30 June 2017	Related to assets/revenue
Return of deed taxes	2,646,278.06	209,982.30	22,478.68	–	2,833,781.68	In related to assets
Compensation for demolition	24,722,899.98	–	1,373,494.44	–	23,349,405.54	In related to assets
Total	27,369,178.04	209,982.30	1,395,973.12	–	26,183,187.22	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Other non-current liabilities

Item	30 June 2017	31 December 2016
Compensations related to the toll adjustment of Three Expressways		
Acquisition of Compensations related to the toll adjustment of Three Expressways	6,588,000,000.00	6,588,000,000.00
Including: unrecognized finance fee	904,210,000.00	904,210,000.00
Add: the cumulative recognition of financial expense	484,071,400.00	337,302,400.00
Less: the cumulative deduction of toll income containing tax	981,849,580.55	628,430,000.00
Balances of compensations related to the toll adjustment of Three Expressways	6,090,221,819.45	6,296,872,400.00
Including: unrecognized finance fee	420,138,600.00	566,907,600.00
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	467,699,633.37	459,050,000.00
Total	5,622,522,186.08	5,837,822,400.00

On 30 November 2015, the Company entered into an agreement with Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment of the 'Three Expressways'. The first stage has started from 7 February 2016 to 31 December 2018, lasting the two years plus ten months and another twenty-four days. During this period, Shenzhen Transportation Bureau purchases the toll services of this section and gives a cash compensation for the toll fee exemptions that caused by this purchase while the Company retains control and is responsible for the maintenance and resurfacing of the relevant toll roads. A third party professional traffic consultant will be appointed by the Company and Shenzhen Transportation Bureau to perform studies of the actual traffic volume under the corresponding toll road fee system. This consultant will also present the result by using the actual traffic volume which is adjusted and approved by both sides. The second stage will start from 1 January 2019 to the expiry date of the 'Three Expressways' toll road's rights and interests. For the second stage, Shenzhen Transportation Bureau can choose project one or project two based on different situations. By choosing project one, the operating method of the second stage is the same as the stage one, which means the toll fees exemption project will continue until the expiry date of the 'Three Expressways' toll road's rights and interests. By choosing project two, the rest of rights and interests of "Three Expressways" will be taken back by Shenzhen Transportation Bureau and a one-off cash compensation will be made to the Company. Accordingly, the "Three Expressways" toll roads exemptions scheme will be carried out in two stages since midnight on 7 February 2016. Shenzhen Transportation Bureau is going to make cash compensation base on different projects. On 29 January 2016, the arrangement has been examined and approved in the extraordinary general meeting held by the Company. As at 29 December 2015, the Company received the first compensation of RMB6,588,000,000.00 and financial expense amounting to RMB146,769,000.00 was recognized for the six months ended 30 June 2017 (the same period in 2016: RMB155,536,200.00).

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Share capital

For the six months ended 30 June 2017	31 December 2016	Movement				Sub-total	30 June 2017
		New shares issued	Right issue	Transfer from surplus	Others		
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

Year 2016	31 December 2015	Movement				Sub-total	31 December 2016
		New shares issued	Right issue	Transfer from surplus	Others		
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

34. Capital surplus

Item	31 December 2016	Current period additions	Current period reductions	30 June 2017
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Acquisition of minority interests (b)	-120,924,166.49	–	–	-120,924,166.49
Others (a)	-2,279,838.32	–	293,171.09	-2,573,009.41
Total	2,151,147,518.61	–	293,171.09	2,150,854,347.52

Item	31 December 2015	Current period additions	Current period reductions	31 December 2016
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Acquisition of minority interests (b)	–	–	120,924,166.49	-120,924,166.49
Others	–	–	2,279,838.32	-2,279,838.32
Total	2,274,351,523.42	–	123,204,004.81	2,151,147,518.61

- (a) With respect to a decrease of RMB293,171.09 in other capital reserves, please refer to Note 5.13 (2).
- (b) As at 2 December 2016, the Company's wholly-owned subsidiary, Mei Wah Company, purchased 45% interest of JEL Company owned by Flywheel Investment, Shenzhen International's wholly-owned subsidiary, at a price of RMB453,498,800.00. After the acquisition, Mei Wah Company held a 100% interest of JEL Company, resulting in a decrease of capital surplus amounting to RMB120,924,166.49 and minority interests amounting to RMB332,574,633.51.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income

For the six months ended 30 June 2017	31 December 2016	Amount incurred in current period		30 June 2017
		Pre-tax amount incurred in current period	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit or loss:	894,501,191.30	-3,228,863.68	-3,228,863.68	891,272,327.62
– Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
– Equity investment reserve	406,180.00	–	–	406,180.00
– Under the equity method, the Company's share of the other comprehensive income the invested entity will be classified into profit or loss	–	-2,405,893.78	-2,405,893.78	-2,405,893.78
– Others	962,792.56	-822,969.90	-822,969.90	139,822.66
Total other comprehensive income	894,501,191.30	-3,228,863.68	-3,228,863.68	891,272,327.62

Year 2016	31 December 2015	Amount incurred in current period		31 December 2016
		Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,605,520.32	895,670.98	895,670.98	894,501,191.30
– Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
– Equity investment reserve	406,180.00	–	–	406,180.00
– Others	67,121.58	895,670.98	895,670.98	962,792.56
Total other comprehensive income	893,605,520.32	895,670.98	895,670.98	894,501,191.30

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Surplus reserve

For the six months ended 30 June 2017	31 December 2016	Current period additions	Current period reductions	30 June 2017
Statutory surplus reserve	1,577,817,102.75	–	–	1,577,817,102.75
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	2,031,208,432.81	–	–	2,031,208,432.81

Year 2016	31 December 2015	Current year additions	Current year reductions	31 December 2016
Statutory surplus reserve	1,462,492,638.06	115,324,464.69	–	1,577,817,102.75
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	1,915,883,968.12	115,324,464.69	–	2,031,208,432.81

In accordance with the Company Law of the Peoples' Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, and companies can cease appropriation when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities.

The Company appropriates the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any surplus reserve for the six months ended 30 June 2017 (the same period in 2016: nil).

37. Undistributed profits

Item	30 June 2017	31 December 2016
Opening undistributed profits	5,416,848,490.55	5,104,281,635.31
Add: Net profit attributable to equity holders of the Company in current period/year	741,730,838.13	1,169,353,230.77
Less: Appropriation for statutory surplus reserve	–	115,324,464.69
Dividends	479,769,471.72	741,461,910.84
Undistributed profits at the end of the period/year	5,678,809,856.96	5,416,848,490.55

In accordance with the resolution passed in the Annual General meeting on 23 May 2017, the Company proposed a cash dividend to all shareholders amounting to RMB479,769,471.72, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.22 per share. The cash dividend represents 41% of the net profit for the year ended 31 December 2016.

As at 30 June 2017, a cash dividend amounting to RMB164,450,000 has not been paid to H share shareholders. The Board of Directors did not recommend any interim dividend for the six months ended 30 June 2017 (the same period in 2016: nil), nor did it recommend any conversion of capital reserve into share capital.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Revenue and cost of services

Item	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Revenue	Cost	Revenue	Cost
Main business – toll road	1,956,878,032.56	928,143,911.56	1,765,702,337.47	865,567,068.01
Other services –				
Construction consulting service	–	–	135,404,277.91	109,127,921.29
Management services revenue	34,928,744.57	18,581,511.32	97,826,505.82	55,560,683.55
Advertising services revenue	44,990,965.51	26,110,576.97	49,426,914.54	27,686,319.63
Real estate Development revenue	55,783,181.34	39,883,466.32	–	–
Others	15,804,094.00	8,585,401.48	14,768,113.70	9,096,647.30
Sub-total of other businesses	151,506,985.42	93,160,956.09	297,425,811.97	201,471,571.77
Total	2,108,385,017.98	1,021,304,867.65	2,063,128,149.44	1,067,038,639.78

39. Tax and surcharges

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
City maintenance and construction tax	4,963,110.19	5,414,503.74
Educational surcharge	3,549,416.60	3,867,518.96
Stamp tax	3,250,878.43	–
Property tax	2,482,302.07	–
Construction fee for culture development	1,220,228.66	1,282,585.12
Business tax	616,856.39	30,025,774.89
Others	73,820.29	255,046.29
Total	16,156,612.63	40,845,429.00

40. General and administrative expenses

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Salary and wages	21,252,389.35	18,891,996.27
Operating lease payment	3,557,634.68	4,172,202.61
Depreciation	3,152,591.89	3,453,714.98
Lawyers and advisory fees	1,551,634.41	1,561,149.81
Office management expenses	3,364,420.08	1,606,671.73
Expenses paid to stock exchange	649,904.48	1,466,507.23
Others	6,987,555.79	10,172,122.14
Total	40,516,130.68	41,324,364.77

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Financial expenses

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Interest expenses	305,575,847.90	321,061,633.62
Including: Interest expenses from borrowings	69,820,827.20	52,131,627.06
Interest expenses from bonds payable	93,437,108.09	114,668,174.68
Overdue interest from acquisition of minority interests of JEL company (a)	3,576,597.67	–
Other financing expense (b)	146,769,000.00	155,536,200.00
Interest capitalized	-8,027,685.06	-1,274,368.12
Exchange gain or losses	-49,393,790.11	87,129.93
Less: interest income	27,919,095.77	51,066,493.62
Others	5,951,540.02	673,306.13
Total	234,214,502.04	270,755,576.06

(a) On 2 December 2016, Flywheel Investment transferred a 45% interest of JEL Company to Mei Wah Company at a transfer price of RMB453,298,800.00. As at 31 December 2016, the remaining consideration of RMB333,498,800.00 had not been paid, which was accrued at the one-year benchmark interest rate. On 3 and 7 April 2017, the Group had still repaid the remaining consideration and the interest. For details please refer to Note. V. 26. (b).

(b) Other financing expense was due to the amortization of unrecognized financial cost from compensation as the amount of RMB6,588,000,000.00 in related to toll adjustment of "Three Expressways". The amount of unrecognized financial cost was RMB904 million, which would be amortized into financial expense from December 2015 to 31 December 2018. The detailed information is set out in Note. V.32.

42. Gain or Loss from changes in fair value

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Financial assets at fair value through loss	-61,180,352.34	–
Including: derivative financial instruments	-61,180,352.34	–
Total	-61,180,352.34	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Investment income

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Income from a long-term equity investment in a joint venture under the equity method	7,079,749.78	11,979,828.32
Income from long-term equity investments in associates under the equity method	204,424,627.88	108,725,519.12
Income from disposal of long-term equity assets	—	48,535,491.48
Gain on revaluation of the remaining equity's fair value after losing control	—	16,673,414.89
Income from available-for-sale financial assets	—	38,200,000.00
Income from financing products	7,581,799.16	3,240,992.51
Gain on fair value generated from original shares involving the business combination under common control realized by multiple transactions	27,504,389.73	—
Total	246,590,566.55	227,355,246.32

44. Non-operating income

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2017
Gain on disposal of non-current assets	24,691,995.01	8,707.84	24,691,995.01
Government grants	1,844,106.30	1,280,368.92	1,844,106.30
Bounty	3,000.00	3,000.00	3,000.00
Others	95,705.04	62,267.23	95,705.04
Total	26,634,806.35	1,354,343.99	26,634,806.35

45. Non-operating expenses

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016	Amount recognized in non-recurring profit or loss for the six months ended 30 June 2017
Total loss on disposal of non-current assets	245,075.15	68,755.14	245,075.15
Including: loss on disposal of fixed assets	245,075.15	68,755.14	245,075.15
Donation	969,402.50	500,602.20	969,402.50
Others	211,217.40	31,979.60	211,217.40
Total	1,425,695.05	601,336.94	1,425,695.05

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Income tax expenses

(1) Classification of income tax expense

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Current income tax calculated according to tax law and related regulations	252,824,378.63	211,332,321.02
Deferred income tax	-50,813,436.09	-40,741,940.59
Total	202,010,942.54	170,590,380.43

(2) Income tax expense reconciliation from profit before tax

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Profit before tax	999,020,561.71	864,331,020.14
Income tax expenses calculated at the applicable tax rate	249,755,140.43	216,082,755.03
Lower tax rates enacted by a particular provincial or local authority	617,617.97	-2,728,634.38
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	2,282,381.09	1,320,033.71
Income not subject to tax	-61,438,512.63	-45,535,502.15
Unrecognized tax losses	2,589,493.11	2,190,106.53
Utilization of previous unrecognized tax losses	-	-6,691,309.98
Adjustment of income tax in the prior period	5,707,251.23	4,871,449.15
Others	2,497,571.34	1,081,482.52
Income tax expenses	202,010,942.54	170,590,380.43

47. Notes to the consolidated cash flow statement

(1) Cash received relating to other operating activities

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Cash received relating to subscription funds for real estate properties	17,805,428.60	-
Cash received relating to the funding of Shenzhen Guangshen Coastal Expressway Investment ("Coastal Company")	118,103.16	4,418,657.74
Cash received relating to confiscated margin from Shenzhen United Property and Share Rights Exchanged	-	37,968,000.00
Cash received from Longli Country Government in relation to Longli Resettlement (Phase I) Project	-	10,000,000.00
Cash received from other operating activities	14,300,686.44	9,713,368.16
Total	32,224,218.20	62,100,025.90

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Notes to the consolidated cash flow statement (continued)

(2) Cash paid relating to other operating activities

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Payment for further development of land	62,171,196.22	54,730,334.01
Management expenses paid for agent-construction projects	28,711,954.31	28,529,456.74
Cash advanced to Longli BT Project	21,348,712.70	10,330,166.50
Quality guarantee deposit paid to China Railway 13th Bureau freight Project	11,668,616.60	—
Audit, valuation, lawyers and advisory fees paid	9,188,308.21	7,059,175.94
Expenses paid to stock exchange	1,802,814.79	2,026,306.70
Payment for acquisition of land use right	—	56,093,495.40
Payment for the toll adjustment and newly built support facility of Meiguan Expressway	—	40,750,000.00
Cash advance to Longli Resettlement Project	—	486,919.71
Other operating expenses paid	28,547,110.73	42,320,243.43
Total	163,438,713.56	242,326,098.43

(3) Cash received relating to the disposal of subsidiaries and other business units

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
The price of disposal of subsidiaries and other business units	—	138,574,205.49
Cash and cash equivalents received from disposal of subsidiaries and other business units	—	69,286,667.78
Less: acquired cash and cash equivalents held by subsidiaries and other business units	—	—
Net cash receivable from disposal of subsidiaries and other business units	—	69,286,667.78

(4) Cash received relating to other investment activities

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Maturity redemption of financial products	1,950,000,000.00	1,450,000,000.00
Interest income	37,875,658.96	35,769,229.47
Loan repayment from Huayu Investment Group	—	20,264,423.16
Others	6,111,641.85	—
Total	1,993,987,300.81	1,506,033,652.63

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Notes to the consolidated cash flow statement (continued)

(5) Cash paid relating to the acquisition of subsidiaries and other business units

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Paid share subscription fee of Derun	4,415,582,466.80	—
Paid share subscription fee of Yichang	1,152,890,847.87	—
Paid to Water Planning and Design Institute due to increase capital	1,237,800.00	—
Paid share subscription fee of Shenchang	-46,825,566.55	—
Paid to United Land due to increase capital	—	1,896,300,000.00
Paid share subscription fee of Guizhou Bank	—	68,640,000.00
Paid withholding income tax due to transfer Hetai Company's equity interest	—	20,000,000.00
Paid to United Electronic Company due to increase capital	—	13,320,000.00
Total	5,522,885,548.12	1,998,260,000.00

(6) Cash paid relating to other investment activities

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Investment paid in financial products	1,400,000,000.00	2,350,000,000.00
Others	6,000,000.00	1,300,000.00
Total	1,406,000,000.00	2,351,300,000.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Supplementary information to the consolidated cash flow statement

(1) Supplementary information to the consolidated cash flow statement

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	797,009,619.17	693,740,639.71
Depreciation of fixed assets	74,871,428.28	82,217,554.63
Amortisation of investment properties	287,850.00	287,850.00
Amortisation of intangible assets	585,859,366.30	515,423,839.65
Amortisation of long-term prepaid expenses	795,335.17	2,780,055.46
(Gain)/loss on disposal of non-current assets	-24,446,919.86	60,047.30
Loss on change in fair value	61,180,352.34	—
Financial expenses	234,214,502.04	270,755,576.06
Investment income	-246,590,566.55	-227,355,246.32
Net decrease in deferred tax assets and liabilities	-50,813,436.09	-40,741,940.59
Increase in inventories	-4,373,591.41	-97,658,863.80
Decrease/(increase) in operating receivables	72,691,765.07	-101,418,516.28
Decrease in operating payables	-338,523,518.12	-193,982,947.22
Net cash flows from operating activities	1,162,162,186.34	904,108,048.60
2. Net change in cash		
Cash at the end of the period	1,808,924,601.15	3,124,619,175.55
Less: cash at the beginning of the period	4,243,639,666.01	6,180,992,066.06
Net decrease in cash	-2,434,715,064.86	-3,056,372,890.51

(2) Cash and cash equivalents

Item	30 June 2017	31 December 2016
Cash		
Including: Cash on hand	10,220,240.69	11,775,045.42
Cash at banks	1,798,704,360.46	4,231,864,620.59
Cash at the end of the period	1,808,924,601.15	4,243,639,666.01
Including: Restricted cash held by the Company and group companies (Note V.1)	1,145,358,509.75	1,420,258,174.78
Total cash at banks and on hand	2,954,283,110.90	5,663,897,840.79

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Assets with ownership or use right restricted

Item	30 June 2017	Reason for restriction
Operating right of Qinglian Expressway	7,092,730,346.85	The Group's syndicated borrowings are pledged by the operating right of Qinglian Expressway.
Operating right of Shuiguan Expressway	3,922,142,440.45	The Group's short term borrowings are pledged by the operating right of Shuiguan Expressway.
Operating right of Yichang Expressway	3,118,886,671.35	The Group's syndicated borrowings are pledged by the operating right of Yichang Expressway.
Operating right of Outer Ring Expressway	395,786,226.97	The Group's syndicated borrowings are pledged by the operating right of Outer Ring Expressway.
The equity interest in Meiguan Company	549,398,908.33	The 100% equity interest of Meiguan Company held by the Company are the guarantee of certain long-term bonds.
45% share in JEL	320,544,078.64	The Group's syndicated borrowings are pledged by a 45% share in JEL.
Cash at banks and on hand	1,145,358,509.75	Restricted project funds retained for construction management.
Total	16,544,847,182.34	/

50. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

Item	Original amount	Exchange rate	Equivalent to RMB
Monetary capital			
Denominated in: USD	1,678,199.30	6.7744	11,368,793.31
HKD	4,327,346.06	0.8679	3,755,790.19
CHF	11.70	1.0812	12.65
PTAS	445.96	0.0468	20.88
GBP	30.00	8.8144	264.43
EUR	257.00	7.7496	1,991.65
JAY	380.09	0.0605	22.99
Other receivables			
Denominated in: HKD	3,360,616.17	0.8679	2,916,745.99
USD	170.34	6.7744	1,153.97
Employee benefits payable			
Denominated in: HKD	13,324.91	0.8679	11,564.96
Other receivables			
Denominated in: HKD	2,004,907.26	0.8679	1,740,099.11
Interest payable			
Denominated in: USD	3,905,208.33	6.7744	26,455,443.31
Bond payable			
Denominated in: USD	300,000,000.00	6.7744	2,032,320,000.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

51. Others

(1) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Consolidated net profit attributable to ordinary shareholders of the Company	741,730,838.13	614,904,007.57
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.340	0.282
Including: Basic earnings per share from continuing operations	0.340	0.282

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares for the period ended 30 June 2017, diluted earnings per share was equal to basic earnings per share.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

VI. CHANGE IN CONSOLIDATION

1. Business combination not involving enterprises under common control

(1) Business combination not involving enterprises under common control in this period

Acquiree	Acquisition date	Acquisition cost	Equity percentage (%)	Acquiring method	Purchasing Date	Evidence of the acquisition date	Acquiree's	Acquiree's	Acquiree's	Acquiree's
							revenue from purchasing date to 30 June 2017	net profit from the acquisition date to 30 June 2017	cash flow of operating activities from the acquisition date to 30 June 2017	net cash flow from the acquisition date to 30 June 2017
Shenchang Company(a)	1 April 2017	–	–	–	1 April 2017	Change the articles of association and completion of the procedure	34,061,020.92	17,309,429.27	26,488,886.88	3,091,319.40
Yichang Company(b)	15 June 2017	1,270,000,000.00	100%	Purchase and get the majority of board seats	15 June 2017	Take control of the acquiree and completion of the procedure	16,037,475.73	4,242,674.50	7,966,130.69	-14,128,781.38

- (a) Shenchang Expressway Company is a limited liability company jointly established by the Company in 1998 and Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company") with registered capital of RMB200 million. The Company hold 51% of its equity while Changsha Ring Road Company hold the rest 49%. According to the cooperation agreement of the Company and the Articles of Association of the Company, the important financial and production and operation decisions of the Company are required to be agreed upon by both parties. Therefore, Shenchang Company was a joint venture of the Company and accounted for the equity method. On 1 April 2017, the Company amended the Articles of Association of the Company, and the important financial and production and operation decisions were agreed upon by both parties to be changed to be exercised in the proportion of capital contribution, and more than one-half agreed to be implemented and approved by the shareholders. At this point, the Company has formed a control over the Company and the Company has been changed from a joint venture of the Company to a subsidiary of the Company. The equity method is changed to be accounted for the cost method.
- (b) On 20 January 2017, the Company entered into an equity transfer agreement with Ping An Innovation. The Company acquired a 100% equity interest in Yichang Company, which was held by Ping An Innovation, at a consideration of RMB1,270 million in cash. The acquisition was completed on 15 June 2017.

(2) Cost of acquisition and goodwill

Cost of acquisition	Shenchang Company	Yichang Company
– Fair value of equity interest holding before the acquisition date	189,685,868.92	–
– Price for increasing holding equity interest	–	1,270,000,000.00
Total of cost of acquisition	189,685,868.92	1,270,000,000.00
Decrease: the acquirer's interest in fair value of the identifiable net assets obtained	189,685,868.92	1,270,000,000.00
Goodwill	–	–

VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not involving enterprises under common control (continued)

(3) Identifiable assets and liabilities acquired on the combination date

	Shenchang Company		Yichang Comapny	
	Fair value on consolidation date	Book value on consolidation date	Fair value on consolidation date	Book value on consolidation date
Assets:				
Cash at banks and on hand	46,825,566.55	46,825,566.55	117,109,152.13	117,109,152.13
Accounts receivable	2,853,200.00	2,853,200.00	7,965,763.00	7,965,763.00
Other receivables	1,332,488.71	1,332,488.71	594,844.62	594,844.62
Inventories	—	—	20,217.00	20,217.00
Fixed assets	45,565,217.71	45,565,217.71	18,793,029.16	18,793,029.16
Construction in progress	—	—	1,044,406.56	1,044,406.56
Intangible assets	241,936,425.36	481,980,718.29	3,125,293,474.68	1,986,727,952.92
Deferred tax assets	60,565,516.42	554,443.19	—	—
Liabilities:				
Accounts payable	8,199,334.32	8,199,334.32	—	—
Dividends payable	—	—	133,496,614.91	133,496,614.91
Employee benefits payable	622,192.43	622,192.43	2,860,546.24	2,860,546.24
Taxes payable	362,382.74	362,382.74	28,543,459.50	28,543,459.50
Interest payable	—	—	16,070,401.47	16,070,401.47
Other payables	17,791,428.92	17,791,428.92	60,646,542.51	60,646,542.51
Long-term payables	—	—	42,452,400.00	42,452,400.00
Deferred tax liabilities	—	—	402,096,936.27	117,455,555.83
Long-term borrowings	—	—	1,314,653,986.25	1,314,653,986.25
Net assets	372,103,076.34	552,136,296.04	1,270,000,000.00	416,075,858.68
Minority interests	182,417,207.42	270,546,785.06	—	—
Acquired net assets	189,685,868.92	281,589,510.98	1,270,000,000.00	416,075,858.68

Method of recognizing the fair values of identifiable assets and liabilities:

The Company used valuation techniques to determine the fair values of Consulting Company's assets and liabilities on the acquisition date at a discount rate of 9.40%.

The Company used valuation techniques to determine the fair values of Qinglong Company's assets and liabilities on the acquisition date at a discount rate of 8.58%.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not involving enterprises under common control (continued)

(4) Gain or loss arising from fair value of the equity shares before the acquisition date

Acquiree	Book value of equity interest acquired before the acquisition date	Fair value of equity interest acquired before the acquisition date	Gain or loss arising from fair value of the equity shares before the acquisition date	Method and assumptions	The amount of other comprehensive income transferred to investment income
Shenchang Company	162,181,479.19	189,685,868.92	27,504,389.73	Income approach	-

2. Change in consolidation caused by other reason

- (1) Shenzhen Expressway Finance I Limited was dissolved on 25 May 2017, in view of the fact that the Group had no plans for overseas financing by BVI as a platform and cost savings in the next few years. Therefore, since 25 May 2017, the Group has no longer incorporated Shenzhen Expressway Finance I Limited into the scope of consolidation.
- (2) On 26 June 2017, the Group set up a wholly-owned subsidiary Shenzhen Expressway Construction and Development Company Limited ("Construction and Development Company"), which issued capital is RMB30,000,000.00. The core business of this company is providing construction to high-grade highways, urban roads, general highways (including bridges, tunnels). Since 26 June 2017, the Group has incorporated the new subsidiary into the scope of consolidation.
- (3) On 18 May 2017, Guizhou Land Company, a subsidiary of the Company, set up a wholly-owned subsidiary Guizhou Yehengda Land Co., LTD ("Guizhou Yehengda Company"), which issued capital is RMB1,000,000.00. The core business of this company is land development. Since 18 May 2017, the Group has incorporated the new subsidiary into the scope of consolidation.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Particulars of the Company's subsidiaries are as follows

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		
				Direct	Indirect	Acquired through
Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	–	Incorporation
Expressway Investment Company (Investment Company)	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	–	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
Guizhou Shengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
Guizhou Yuelong Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
Property Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	–	100%	Incorporation
Environment Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	100%	–	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	–	100%	Business combinations involving enterprises under common control
Hubei Magerk Expressway Management Co., LTD ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	–	100%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	51.37%	25%	Business combinations involving enterprises not under common control
Advertising Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	95%	5%	Business combinations involving enterprises not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	–	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	100%	–	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	–	100%	Business combinations involving enterprises not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	–	Business combinations involving enterprises not under common control
Hengfengxin Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		Acquired through
				Direct	Indirect	
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	—	70%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	—	100%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation Development Co., LTD	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment holding	95%	5%	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	40%	10%	Business combinations involving enterprises not under common control
Shenchang Company(a)	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll Road Operation	51%	—	Business combinations involving enterprises not under common control
Yichang Company(b)	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll Road Operation	100%	—	Business combinations involving enterprises not under common control
Construction and Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure Construction	95%	5%	Incorporation
Guizhou Yehengda Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	—	70%	Incorporation

(a) For detail of Shenchang Company and Yichang Company, please refer to Note VI 1.(1).

(b) For detail of Construction and Development Company and Guizhou Yehengda Company, please refer to Note VI 2.

(2) Subsidiaries with material minority interests

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the period ended 30 June 2017	Dividend declared by subsidiaries to the minority shareholders for the period ended 30 June 2017	Shareholder investment withdrawn	New business combination	Minority interests as at 30 June 2017
Qinglian Company	23.63%	14,286,373.59	—	—	—	620,576,996.41
Guishen Company	30.00%	784,208.44	—	—	—	212,984,770.56
Qinglong Company	50.00%	31,726,578.67	44,600,742.17	—	—	1,205,513,791.87
Shenchang Company	49.00%	8,481,620.34	—	11,879,712.91	182,417,207.42	179,019,114.85
Total	/	55,278,781.04	44,600,742.17	11,879,712.91	182,417,207.42	2,218,094,673.69

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3) Main financial information of significant partly-owned subsidiaries

Name of subsidiaries	30 June 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	113,915,733.63	7,399,702,456.58	7,513,618,190.21	224,116,729.10	4,666,337,162.91	4,890,453,892.01
Guishen Company	1,146,151,665.61	46,374,447.28	1,192,526,112.89	482,576,457.13	-	482,576,457.13
Qinglong Company	76,309,763.63	4,061,930,537.51	4,138,240,301.14	930,453,990.15	796,758,727.33	1,727,212,717.48
Shenchang Company (a)	54,675,754.12	339,524,705.16	394,200,459.28	29,032,265.73	-	29,032,265.73

Name of subsidiaries	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	95,570,003.26	7,559,806,522.04	7,655,376,525.30	259,083,783.20	4,833,587,070.96	5,092,670,854.16
Guishen Company	1,111,219,633.27	44,666,165.29	1,155,885,798.56	448,550,170.93	-	448,550,170.93
Qinglong Company	116,811,523.74	4,228,950,518.13	4,345,762,041.87	113,071,755.75	1,795,914,375.43	1,908,986,131.18
Shenchang Company (a)	-	-	-	-	-	-

Name of subsidiaries	For the six months ended 30 June 2017			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	377,450,709.77	60,458,627.06	60,458,627.06	308,668,087.57
Guishen Company	55,783,181.34	2,614,028.13	2,614,028.13	133,319,770.98
Qinglong Company	310,781,588.37	63,453,157.31	63,453,157.31	184,536,216.16
Shenchang Company (a)	34,061,020.92	17,309,429.27	17,309,429.27	26,488,886.88

Name of subsidiaries	For the six months ended 30 June 2016			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	346,507,046.02	19,388,200.48	19,388,200.48	269,726,156.91
Guishen Company	114,285.71	53,508,680.57	53,508,680.57	13,387,307.44
Qinglong Company	295,601,796.14	51,542,276.47	51,542,276.47	166,908,311.86
Shenchang Company (a)	-	-	-	-

(a) As Shenchang Company became the Company's subsidiary on 1 April, 2017, no comparative financial information for the previous period has been presented.

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 30 June 2017, no substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2016: Nil).

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates

Particulars of the Company's associates are as follows:

	Place of incorporation	Place of issue	Principal activities	Issued capital	Percentage of shares held by the Company (%)		Accounting method
					Direct	Indirect	
Counseling Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	–	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	–	Equity method
Jiangzhong Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,045,000,000.00	25	–	Equity method
Nanjing 3rd Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	–	Equity method
Yangmao Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	–	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	–	Equity method
Guangyun Company	Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	10,000,000.00	30	–	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	1,000,000.00	–	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	5,000,000,000.00	49	–	Equity method
Bank of Guizhou	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	7,199,389,101.79	4.39	–	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	–	20	Equity method

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (continued)

(1) Financial information of material associate

The material associate, Derun Environment, who focuses on environmental improvement and resources recovery, is the strategic partner of the Group. Derun Environment is accounted for using the equity method.

A summary of Derun Environment's financial information which was reconciled to the accounting policies of the Company is listed below:

	30 June 2017 Derun Environment (RMB)
Current assets	11,175,580,196.62
Non-current assets	22,927,809,250.12
Total assets	34,103,389,446.74
Current liabilities	5,871,804,173.66
Non-current liabilities	5,120,917,811.02
Total liabilities	10,992,721,984.68
Non-controlling interest	8,248,208,970.46
Equity attributable to owners of the parent	14,862,458,491.60
Net assets shared by proportion of equity holding	2,972,491,698.32
Adjustment items	
Balance of impairment provisions	—
Goodwill	1,462,953,999.22
Book value of the equity investment	4,435,445,697.54
Revenue	737,117,466.65
Income tax expense	117,769,910.30
Net profit/(loss)	173,607,156.22
Other comprehensive income	18,260,308.77
Total comprehensive income	191,867,464.99
Dividend received	—

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (continued)

(2) Main financial information of joint ventures and associates that are not material

	As at and for the period ended 30 June 2017	As at and for the period ended 30 June 2016
Joint ventures:		
Total book value of investment	–	166,160,042.14
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		
– Net profit	7,079,749.78	11,979,828.32
– Total comprehensive income	7,079,749.78	11,979,828.32
Associates:		
Total book value of investment	4,595,102,252.26	4,537,121,464.03
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	186,388,797.54	108,725,519.12
– Other comprehensive income	-4,233,294.18	–
– Total comprehensive income	181,862,332.27	108,725,519.12

During the current period, the directors of the Company considered that the Group has no material joint ventures or associates (2016: the same) as the investment income/(loss) from individual joint ventures or associates does not exceed 10% of the total profit of the Group for the respective period and, the net book value of long-term equity investments from joint ventures and associates do not exceed 5% of the total net asset of the Group at 30 June 2017.

(3) Explanation to substantial restriction on transferring funds between the Group and the joint ventures and associates

As at 30 June 2017, there's no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2016: Nil).

VIII. FINANCIAL INSTRUMENTS AND RISK

The Group's activities expose to a variety of financial risks: market risk (primarily currency risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

1. Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies (in addition to the long-term bond with principal value of USD300 million, the Group's foreign currency assets, liabilities and transactions are mainly denominated in HKD) primarily with respect to Hong Kong dollars.

The Group's finance department at its headquarters is responsible for monitoring the amounts of assets and liabilities and transactions denominated in foreign currencies to mitigate foreign exchange risk.

The sensitivity of the Group's net profit due to the probably reasonable changes in the exchange rate with the other variables remaining the same at the balance sheet date is as follows:

30 June 2017

	USD exchange rate Increase /(Decrease)	Net profit or loss Increase /(Decrease)	Net income after other comprehensive income Increase /(Decrease)	Total shareholders' equity Increase /(Decrease)
Depreciation of RMB against USD	10%	(3,335,603.93)	–	(3,335,603.93)
Appreciation of RMB against USD	(10%)	3,335,603.93	–	3,335,603.93
Depreciation of RMB against HKD	10%	369,065.41	–	369,065.41
Appreciation of RMB against HKD	(10%)	(369,065.41)	–	(369,065.41)

31 December 2016

	USD exchange rate Increase /(Decrease)	Net profit or loss Increase /(Decrease)	Net income after other comprehensive income Increase /(Decrease)	Total shareholders' equity Increase /(Decrease)
Depreciation of RMB against USD	10%	(882,941.39)	–	(882,941.39)
Appreciation of RMB against USD	(10%)	882,941.39	–	882,941.39
Depreciation of RMB against HKD	10%	648,289.04	–	648,289.04
Appreciation of RMB against HKD	(10%)	(648,289.04)	–	(648,289.04)

The Group pays attention to research on exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of the principal and interest of bonds payable in USD, the Group entered into a forward foreign exchange contract with the bank. For details, please refer to Note V.2.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Interest rate risk

The Group's interest rate risk mainly arises from interest-bearing long-term liabilities including long-term borrowings and bonds payable. Financial liabilities issued at floating rates exposed the Group to the risk of interest rate on cash flow. Financial liabilities issued at fixed rates exposed the Group to the risk of interest rate on fair value. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2017, the Group's long-term and short-term interest-bearing borrowings with floating rates amounted to RMB5,682,921,425.61 (31 December 2016: RMB1,882,224,000.00).

Increases in interest rates will increase the cost of new interest-bearing liabilities and the Group's outstanding interest expenses at floating interest rate, which could have a material adverse effect on the Group's financial performance. The Group's finance department continuously monitors the interest rate of the Group and makes adjustment according to the latest market conditions.

In the current period, if interest rates calculated on the floating rate of interest-bearing long-term liabilities had risen/fallen by 50 basis points while all other variables was stay constant, the Group's net profit would have decreased/increased by approximately RMB5,417,975.40 (for the same period in 2016: approximately RMB3,594,011.67).

3. Credit risk

The Group expects that there is no significant credit risk. The maximal credit risk mainly arises from cash at banks, receivables and other receivables.

The table below shows the bank deposits of the major counterparties of the Group as at the balance sheet date:

Item	30 June 2017	31 December 2016
State-owned banks	1,312,782,817.42	3,226,558,755.70
Other banks	1,631,268,774.83	2,425,495,971.28
Total	2,944,051,592.25	5,652,054,726.98

The Group expected that there is no significant credit risk or any other significant loss arising from breach of contracts associated with bank deposits at state-owned banks for state-owned bank gained funding support from government and the others are listed banks or commercial banks of medium or large size.

As at 30 June 2017, the Group's receivables due from the Shenzhen Government derived from entrusted management services and receivables due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase II) Project were approximately RMB264 million and amounts due from related parties were approximately RMB287 million, amounting to RMB551 million (31 December 2016: RMB693 million) in aggregate. The directors of the Company considered that the related credit risks were controllable. The Group did not have other significant concentrations of credit risk arising from other customers.

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

4. Liquidity risk

Each subsidiary of the Group is responsible for its own cash flow forecast. The Group's finance department at its headquarter monitors the Group's short-term and long-term liquidity requirements based on the forecast from the subsidiaries to ensure that the Group has sufficient cash and securities that are readily convertible to cash. Meanwhile the Group will continuously monitor whether the Group meet the capital condition required from the borrowing agreements, in order to continually borrow sufficient cash from major financial institution to satisfy the short-term and long-term cash demands.

The financial assets and liabilities of the Group as at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	30 June 2017				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Current portion of non-current liabilities (Note b/c)	623,217,265.89	–	–	–	623,217,265.89
Payables (Note a)	2,041,290,110.54	–	–	–	2,041,290,110.54
Long-term borrowings	163,701,850.57	259,977,760.74	1,878,446,931.47	2,215,680,786.57	4,517,807,329.35
Bonds payable	137,315,737.50	1,037,315,737.50	2,184,695,737.50	844,000,000.00	4,203,327,212.50
Other non-current liabilities (Note c)	–	6,027,905,128.62	–	–	6,027,905,128.62
Short-term borrowings	3,003,087,428.48	–	–	–	3,003,087,428.48
Dividend payables	297,946,614.91	–	–	–	297,946,614.91
Total	6,266,559,007.89	7,325,198,626.86	4,063,142,668.97	3,059,680,786.57	20,714,581,090.29

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Current portion of non-current liabilities (Note b/c)	1,909,595,067.32	–	–	–	1,909,595,067.32
Payables (Note a)	2,622,060,041.03	–	–	–	2,622,060,041.03
Long-term borrowings	78,698,238.85	127,412,087.55	949,395,909.12	1,036,171,910.61	2,191,678,146.13
Bonds payable	137,315,737.50	1,037,315,737.50	2,184,695,737.50	844,000,000.00	4,203,327,212.50
Other non-current liabilities (Note c)	–	6,111,189,985.98	–	–	6,111,189,985.98
Total	4,747,669,084.70	7,275,917,811.03	3,134,091,646.62	1,880,171,910.61	17,037,850,452.96

Note a: Payables comprise accounts payable and other payables.

Note b: Including the current portion of long-term borrowings, the current portion of bonds payable and the current portion of other non-current liabilities, excluding the current portion of provisions.

Note c: Other non-current liabilities and the current portion of non-current liabilities were the compensation related to toll adjustment of "Three Expressways", which were settled by the first stage of toll revenue and the second stage of final transaction consideration in subsequent annual. For details, please refer to V.32 (a).

Since the Group has steady and sufficient cash flows from operations and sufficient credit line, in addition proper financing arrangements were made to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group has no significant liquidity risk.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

IX. FAIR VALUE DISCLOSURE

The levels of fair value measurements are categorized by the lowest level of the most meaningful inputs.

Level 1: The unadjusted quoted price of the same asset or liability for the active trading market.

Level 2: The direct and indirect observable inputs other than that from Level 1.

Level 3: The unobservable inputs of the asset or liability.

1. Financial assets and liabilities measured at fair value

30 June 2017

	Fair value measurement using			Total
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial assets at fair value through profit or loss	13,810,965.43	-	-	13,810,965.43
Total	13,810,965.43	-	-	13,810,965.43

31 December 2016

	Fair value measurement using			Total
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial assets at fair value through profit or loss	74,991,317.77	-	-	74,991,317.77
Total	74,991,317.77	-	-	74,991,317.77

The Group entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the financial assets at fair value through profit or loss held by the Group are determined based on the forward interest rate in the active markets as at 30 June 2017.

During the period, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

IX. FAIR VALUE DISCLOSURE (CONTINUED)

2. Financial assets and liabilities with fair value disclosure but not measured at fair value

Financial assets and liabilities measured at amortised cost mainly include accounts receivable, current portion of bond payables, accounts payable, long-term borrowings and bonds payable.

Except for the financial liabilities listed below, the carrying amounts of financial assets and liabilities not measured at fair value approximated to their fair values.

	30 June 2017		31 December 2016	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities				
Current portion of bonds payables	–	–	999,325,267.24	1,040,230,233.12
Current portion of other non-current liabilities (Note a)	467,699,633.37	467,699,633.37	459,050,000.00	459,050,000.00
Bonds payable	3,698,122,301.53	3,923,429,955.06	3,742,863,939.90	3,935,190,028.06
Other non-current liabilities (Note a)	5,622,522,186.08	5,622,522,186.08	5,837,822,400.00	5,837,822,400.00
Total	9,788,344,120.98	10,013,651,774.51	11,039,061,607.14	11,272,292,661.18

Note a: The current portion of other non-current liabilities represents compensations received relating to the toll adjustment of the Three Expressway.

The fair value of long-term borrowings and bonds payable with fixed interest rates not quoted in an active market is the present value of the contractual future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. General information of the parent company:

Name	Place of registration	Nature of business	Registered capital	Interest held (%)	Voting rights (%)
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	50.89%	50.89%

The Company's ultimate controlling party is SZ SASAC.

2. Information about subsidiaries

The information for the subsidiaries is set out in Note VII.1.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

3. Information about joint ventures and associates

Joint ventures and associates who have related party transactions with the Group during the period ended 30 June 2017 or have related party balances with the Group resulted from related party transactions in prior years are listed as follows:

Item	Relationship with the Group
Consulting Company	Associated Enterprises (1 December 2016 to 30 June 2017)
Huayu Company	Associated Enterprises
Nanjing Third Bridge Company	Associated Enterprises
GZ W2 Company	Associated Enterprises
Jiangzhong Company	Associated Enterprises
Yangmao Company	Associated Enterprises
Guizhou Bank	Associated Enterprises

The Company consolidated Consulting Company into the consolidated financial statements of the Group from 1 January 2016 to 30 November 2016. From 1 December 2016 to 30 June 2017, Consulting Company is an associate of the Company.

4. Information about other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics Company")	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Fellow subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Fellow subsidiary
Flywheel Investments	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
Coastal Company	Others
United Electronic Company	Others
Guangzhou Cement Company Limited	Others
Huayu Investment Group	Others
Water Planning and Design Institute	Others

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Rendering or receiving of services

Receiving of services

Name of related party	Nature of transaction	For the six months ended 30 June 2017	For the six months ended 30 June 2016
United Electronic Company (a)	Receiving integrated toll system settlement services	8,609,889.33	8,450,234.45
Consulting Company (b)	Receiving construction consulting and testing services	5,217,162.47	–
Others (c)	Receiving power supply services and others	227,992.06	283,586.82

- (a) United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of integrated toll system in Guangdong province. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide tolls settlement services for Meiguan Expressway, Airport-Heao Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway Qinglian Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operation periods of individual toll roads. The related service charges are determined by commodity price bureau of the Guangdong Province.
- (b) Consulting Company has become a joint venture of the Group since 1 December 2016. The Group had entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group.
- (c) Advertising Company, subsidiaries of the Company, received supply of water and electricity and power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company, Coastal Company and Guangzhou Cement Company Ltd. The respective transaction amounts were not disclosed as they are not material.

Rendering of services

Name of related party	Nature of transaction	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Coastal Company (a)	Provide construction management services	6,269,144.53	5,243,593.99
Others (b)	Supply of water and electricity for offices	704,383.00	488,996.00
Coastal Company (c)	Provide construction consulting services	–	448,301.89

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(1) Rendering or receiving of services (continued)

Rendering of services (continued)

- (a) On 15 June 2016, the Coastal Company signed a supplementary contract of “entrusted construction management agreement” with the Company and entrusted the Company to complete the construction and operation of the Coastal Project Phase II. Pursuant to the agreement, the management service revenue is calculated based on 1.5% of the construction budget and the Company would share 20% of any savings or would bear 20% of any over-expenditures of the total budgeted contract costs. During the period, the Company has recognized construction management services fee amounting to RMB6,269,144.53.
- (b) The Group provided Huayu Investment, Huayu Company, United Electronic Company and Consulting Company with services of water and electricity supply and others and charged them based on the expenses the Company paid to the administration of water and electricity supply. At the same time, the Company and its subsidiaries provided service of collection of toll fees under integrated toll system to GZ W2 Company, Guangyun Company, Longda Company, Coastal Company, Yangmao Company and Jiangzhong Company. The respective transaction amounts were not disclosed as they are not material.
- (c) Consulting Company was the Company’s subsidiaries from 1 July 2015 to 30 November 2016 and during which it provided services of engineering consulting to Coastal Company.

(2) Related party trusteeship/contractual operation/situation of outsourcing

The Company’s trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised for the six months ended 30 June 2017
Baotong Company	The Company	Equity trusteeship	1 January 2016	31 December 2018	Negotiated price	8,429,433.96
Coastal Company	The Company	Equity trusteeship	1 January 2017	31 December 2019	Negotiated price	8,429,433.96

The Company was entrusted by Baotong Company to operate and manage Longda Expressway by an agreement of equity trusteeship. The Company has renewed the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the period, the Company recognized revenue related to the transaction amounting to RMB8,429,433.96 (the same period in 2016: RMB8,830,556.12).

On 30 December 2016, the Company has renewed the entrustment agreement and the trusteeship is extended to 31 December 2019. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the period, the Company recognized revenue related to the transaction amounting to RMB8,429,433.96 (the same period in 2016: RMB42,452,830.19).

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(3) Leases

As a Lessor:

Item	Assets leased	For the six months ended 30 June 2017	For the six months ended 30 June 2016
United Electronic Company and Consulting Company	Office building	183,929.24	141,724.00

As a Lessee:

Item	Assets leased	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Longda company, Huayu company, SC Logistics Company, Xin Tong Chan company	Billboard land use rights	1,306,904.74	1,360,000.00
Coastal Company	Building	–	133,560.00

The individual transaction amounts were not disclosed as they are not material.

(4) Remuneration of key management personnel

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Remuneration of key management personnel	3,805,500.00	3,742,500.00

6. Receivables due from and payables to related parties

(1) Receivable items

Item	Related parties	30 June 2017		31 December 2016	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Coastal Company	281,255,696.39	–	281,255,696.39	–
Accounts receivable	Baotong Company	2,295,854.23	–	2,295,854.23	–
Other receivables	Huayu Investment Group	307,743.18	–	–	–
Other receivables	Longda Company	110,000.00	–	110,000.00	–
Other receivables	Consulting Company	84,050.00	–	84,050.00	–
Other receivables	Huayu Company	20,000.00	–	20,000.00	–
Advances to related parties	Consulting Company	7,049,998.20	–	7,180,105.20	–
Advances to related parties	Longda Company	714,285.68	–	–	–
Dividends receivable	Guizhou Bank	29,050,000.00	–	–	–
Dividends receivable	Jiangzhong Company	8,188,200.00	–	–	–
Dividends receivable	GZ W2 Company	7,575,140.00	–	–	–
Dividends receivable	Consulting Company	1,259,892.11	–	–	–

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from and payables to related parties (Continued)

(2) Payable items

Item	Related parties	30 June 2017	31 December 2016
Accounts payable	United Electronic Company	862,170.00	113,747.32
Accounts payable	Consulting Company	764,738.98	504,712.30
Accounts payable	Coastal Company	58,000.00	35,000.00
Accounts payable	Xin Tong Chan Company	46,500.00	2,000.00
Accounts payable	Huayu Company	25,000.00	15,000.00
Accounts payable	Longda company	11,000.00	–
Accounts payable	SC Logistics Company	4,500.00	4,500.00
Advances from related parties	Coastal Company(Phase II)	26,938,402.64	33,207,547.17
Other payables	GZ W2 Company	40,750,000.00	40,750,000.00
Other payables	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
Other payables	Consulting Company	9,783,034.24	13,664,819.12
Other payables	United Electronic Company	2,204,846.71	480,523.61
Other payables	Coastal Company	575,805.82	465,573.60
Other payables	Shenzhen International Logistics Company	516,146.87	815,687.07
Other payables	Guangzhou Cement Company Limited	40,000.00	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00
Other payables	Flywheel Investment	–	333,498,800.00

7. Commitments to related parties

The following table represents the commitments that had been contracted but not yet recognized on the statement of financial position:

(1) Receiving service

	30 June 2017	31 December 2016
Consulting Company	88,015,719.04	92,877,082.50

(2) Investment commitments

On 30 June 2017, the balance of investment commitments to related parties was RMB61,890,000.00 (31 December 2016: Nil). The commitments were the capital increment for Water Planning and Design Institute, which have paid off on 19 July 2017. For details, please refer to Note XII.1.

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

In addition to the commitments to related parties disclosed in Note X.7, other significant commitments of the group are stated as below:

(1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the balance sheet date:

	30 June 2017	31 December 2016
Expressway construction projects	3,089,860,127.62	3,056,514,408.84

(b) Capital commitments contracted by the management but not provided for at the balance sheet date:

	30 June 2017	31 December 2016
Highway development projects	3,159,829,232.38	3,446,962,144.65
Real estate	227,741,221.31	73,176,434.70
Total	3,387,570,453.69	3,520,138,579.35

2. Contingencies

(1) Significant contingencies at the balance sheet date:

- (a) The Company was entrusted by Shenzhen Transportation Bureau to manage the construction project of Nanping Phase II Project. Pursuant to the contract, the Company has arranged with a bank to issue irrevocable performance guarantees to Shenzhen Transportation Bureau amounting to RMB15,000,000.00.
- (b) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of the Intersection of Dezheng Road Project. Pursuant to the contract, the Company has arranged with a bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB35,850,000.00.
- (c) The Company was entrusted by Shenzhen-shanwei Special Cooperation Zone Construction & Development Co.Ltd. To manage the construction project of the Nanmen River water pollution comprehensive control Phase ii project. Pursuant to the contract, the Company has arranged with a bank to issue irrevocable performance guarantees to Shenzhen-shanwei Special Cooperation Zone Construction & Development Co.Ltd. amounting to RMB10,000,000.00.
- (d) As at 30 June 2017, the Group has given guarantees approximately RMB279,360,000.00 to banks for housing loans extended by the banks to the purchasers of the Group's properties. Pursuant to the terms of the guarantees, if there is default of the mortgage payments by these purchasers, the Group is responsible for repaying the outstanding mortgage loans together with any accrued interest and penalty owed by the defaulted purchasers to banks. The Group is then entitled to take over the legal title of the related properties. The Group's guarantee period commences from the date of grant of the relevant mortgage loan and ends after the buyer of the Group's properties obtained the individual property ownership certificate. The directors consider that in case of default in payments, the net realisable value of the related properties can cover the repayment of the outstanding mortgage loans together with any accrued interest and penalty and therefore no provision has been made in connection with the guarantees.
- (e) The Company is entrusted by Guangzhou-Shenzhen Coastal Expressway Investment Co.,Ltd to operate and construct Coastal Expressway Project. Pursuant to the agreement of construction management, the Company has arranged with a bank to issue irrevocable performance guarantees to Coastal Company amounting to RMB100,000,000.00.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. As at 13 July 2017, the Company signed an agreement of increasing capital with Water Planning and Design Institute and other investors. According to the agreement, the Company will increase capital of RMB61,890,000.00 to Water Planning and Design Institute for 15% of its equity after the increment, which is RMB10.315 per share. It is also stated in the agreement that the Company will appoint a director to the board of Water Planning and Design Institute. The Company paid the amount on 19 July 2017. As at the report date, Water Planning and Design Institute has not changed its industrial registration.

XIII. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) The recognition and accounting policies of reportable segments:

The reportable segments of the Group are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has only one reportable segment, i.e. toll road segment, which takes charge of operation and management of toll roads in mainland China.

Other businesses principally comprise the provision of construction management services, advertising services, property development and other services. The Group has no inter-segment transfers. These businesses cannot be separated into reportable segments.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information

For the six months ended 30 June 2017	Toll road	Others	Unallocated	Total
Revenue from external customers	1,956,878,032.56	151,506,985.42	–	2,108,385,017.98
Cost of service	928,143,911.56	93,160,956.09	–	1,021,304,867.65
Interest income	20,454,865.03	5,958,492.57	1,505,738.17	27,919,095.77
Interest expenses	304,057,149.27	1,518,698.63	–	305,575,847.90
Share of profits of associates and joint ventures	127,871,219.22	83,633,158.44	–	211,504,377.66
Depreciation and amortisation	649,762,748.11	8,776,916.74	3,274,314.90	661,813,979.75
Total profit	861,136,149.40	113,366,606.22	24,517,806.09	999,020,561.71
Income tax expense	191,903,964.57	10,106,977.97	–	202,010,942.54
Net profit	669,232,184.83	103,259,628.25	24,517,806.09	797,009,619.17
30 June 2017				
Total assets	26,839,623,264.34	9,378,602,788.49	225,817,089.30	36,444,043,142.13
Total liabilities	20,316,172,113.08	781,585,118.77	195,275,945.68	21,293,033,177.53
For the six months ended 30 June 2017				
Long-term equity investments in associates and joint ventures	1,306,251,611.99	7,724,296,337.81	–	9,030,547,949.80
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	218,975,105.73	4,198,289.48	1,683,932.17	224,857,327.38

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information (continued)

For the six months ended 30 June 2016	Toll road	Others	Unallocated	Total
Revenue from external customers	1,765,702,337.47	297,425,811.97	–	2,063,128,149.44
Interest income	42,978,095.35	6,499,406.82	1,588,991.45	51,066,493.62
Interest expenses	315,488,392.38	5,573,241.24	–	321,061,633.62
Share of profits of associates and joint ventures	122,474,777.67	-1,769,430.23	–	120,705,347.44
Depreciation and amortisation	585,085,131.22	12,344,935.06	3,279,233.46	600,709,299.74
Total profit	711,007,910.31	112,162,563.18	41,160,546.65	864,331,020.14
Income tax expense	148,079,999.24	22,510,381.19	–	170,590,380.43
Net profit	562,927,911.07	89,652,181.99	41,160,546.65	693,740,639.71
30 June 2016				
Total assets	25,664,931,076.92	5,292,417,708.11	205,375,293.99	31,162,724,079.02
Total liabilities	15,043,982,728.69	946,923,709.45	341,614,427.44	16,332,520,865.58
For the six months ended 30 June 2016				
Long-term equity investments in associates and joint ventures	1,433,795,867.30	3,155,546,029.79	–	4,589,341,897.09
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	42,998,877.80	14,543,733.86	839,718.40	58,382,330.06

(3) Other instructions

The Groups's revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived from the PRC.

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivables

(1) Accounts receivable are analysed by category as follows:

Category	30 June 2017					31 December 2016				
	Ending balance		Provision for bad debts		Net book amount	Ending balance		Provision for bad debts		Net book amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Individually significant and provision separately made										
Provision made collectively	348,694,001.05	100.00	-	-	348,694,001.05	463,878,267.64	100.00	-	-	463,878,267.64
- Group 1	339,092,725.70	97.25	-	-	339,092,725.70	451,429,372.53	97.32	-	-	451,429,372.53
- Group 2	9,601,275.35	2.75	-	-	9,601,275.35	12,448,895.11	2.68	-	-	12,448,895.11
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
Total	348,694,001.05	100.00	-	/	348,694,001.05	463,878,267.64	100.00	-	/	463,878,267.64

An aged analysis of the accounts receivable in Group 2 is as follows:

Aging	30 June 2017		
	Accounts receivables	Provision for bad debts	Provision for bad debts
Within 1 year	9,601,275.35	-	-
Total	9,601,275.35	-	-

(2) The aggregate balance of the top five closing balance of AR from the debtor:

	Ending balance	Provision for bad debts	% of accounts receivable
Total balance of the five largest accounts	336,239,859.91	-	96.43%

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Other receivables are analysed by category as follows:

Item	30 June 2017					31 December 2016				
	Ending balance		Provision for bad debts		Net book amount	Ending balance		Provision for bad debts		Net book amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	447,686,378.00	100.00	-	-	447,686,378.00	1,542,710,679.60	100.00	-	-	1,542,710,679.60
- Group 1	434,621,305.35	97.08	-	-	434,621,305.35	1,535,368,510.65	99.52	-	-	1,535,368,510.65
- Group 2	13,065,072.65	2.92	-	-	13,065,072.65	7,342,168.95	0.48	-	-	7,342,168.95
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
Total	447,686,378.00	100.00	-	/	447,686,378.00	1,542,710,679.60	100.00	-	/	1,542,710,679.60

An aged analysis of the other receivables in Group 2 is as follows:

Aging	30 June 2017		
	Accounts receivables	Provision for bad debts	%
Within 1 year	13,058,422.65	-	-
2 to 3 years	6,650.00	-	-
Total	13,065,072.65	-	/

(2) Other receivables by nature are analysed as follows:

Nature	30 June 2017	31 December 2016
Advances	264,672,912.85	337,646,761.52
Loans to related companies	170,333,337.00	1,198,333,335.00
Others	12,680,128.15	6,730,583.08
Total	447,686,378.00	1,542,710,679.60

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(3) As at 30 June 2016, the five largest other receivables are analysed as follows:

Categories	Nature	30 June 2017	aging	%	Balance of provision for bad debts
Mei Wah Company	Advances	201,710,377.93	Within 3 years	45.06	–
Qinglong Company	Loans	100,000,000.00	1 to 2 years	22.34	–
Shenzhen Longhua New District Municipal Government	Advances	54,353,901.07	Within 2 years	12.14	–
Qinglian Company	Loans	40,333,337.00	Within 1 year	9.00	–
Investment Company	Loans	30,000,000.00	1 to 2 years	6.70	–
Total	/	426,397,616.00	/	95.24	–

3. Long-term equity investments

Item	30 June 2017			31 December 2016		
	Carrying amount	Impairment provided in current period	Net book amount	Carrying amount	Impairment provided in current period	Net book amount
Subsidiaries	10,653,936,844.01	678,765,149.21	9,975,171,694.80	5,298,222,702.65	678,765,149.21	4,619,457,553.44
Joint ventures and associates	4,552,836,322.86	–	4,552,836,322.86	4,661,015,576.66	–	4,661,015,576.66
Total	15,206,773,166.87	678,765,149.21	14,528,008,017.66	9,959,238,279.31	678,765,149.21	9,280,473,130.10

(1) Investments in subsidiaries

Investee	31 December 2016	Additional injection	Transfer in from consolidation	Decrement of the period	30 June 2017	Cash dividend declared	Impairment provided on June 2017
Airport-Heao Eastern Company	724,299,958.20	–	–	51,568,364.29	672,731,593.91	163,901,897.15	–
Meiguan Company	530,345,339.27	–	–	1,034,374.40	529,310,964.87	21,033,867.87	–
Qinglong Company	164,269,052.70	–	–	–	164,269,052.70	35,680,593.74	–
Advertising Company	3,325,000.01	–	–	–	3,325,000.01	53,619,155.75	–
Mei Wah Company	831,769,303.26	–	–	–	831,769,303.26	–	–
Qinglian Company	1,385,448,900.00	–	–	–	1,385,448,900.00	–	678,765,149.21
Outer Ring Company	100,000,000.00	–	–	–	100,000,000.00	–	–
Expressway Investment Company	380,000,000.00	–	–	–	380,000,000.00	–	–
Environment Company	500,000,000.00	3,960,000,000.00	–	–	4,460,000,000.00	–	–
Shenzhen Expressway Operation Development Co., LTD	–	28,500,000.00	–	–	28,500,000.00	–	–
Shenchang Company	–	–	162,181,479.19	12,364,599.14	149,816,880.05	–	–
Yichang Company	–	1,270,000,000.00	–	–	1,270,000,000.00	–	–
Total	4,619,457,553.44	5,258,500,000.00	162,181,479.19	64,967,337.83	9,975,171,694.80	274,235,514.51	678,765,149.21

(2) Investments in joint ventures and associates

The detailed information about joint ventures and associates is set out in Note V.13. Except for the investments in associates namely Guizhou hengtongli Property Company and Derun Environment, other investments in associates are held by the Company.

Notes to Financial Statements

For the six months ended 30 June 2017

(All amounts in RMB unless otherwise stated)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Revenue and costs of services:

Item	For the six months ended 30 June 2017		For the six months ended 30 June 2016	
	Revenue	Cost	Revenue	Cost
Main businesses	643,230,255.86	228,036,666.21	608,329,186.62	224,938,460.31
Other businesses	32,493,587.90	16,256,012.60	102,681,562.70	57,154,818.95
Total	675,723,843.76	244,292,678.81	711,010,749.32	282,093,279.26

5. Investment income

Item	For the six months ended 30 June 2017	For the six months ended 30 June 2016
Income from long-term equity investments under the cost method	274,235,514.51	193,493,721.51
Income from long-term equity investments under the equity method	193,468,547.32	121,200,736.87
Income from available-for-sale financial assets	—	38,200,000.00
Income from financial products	7,124,058.32	2,274,851.49
Total	474,828,120.15	355,169,309.87

XV. SUPPLEMENTARY INFORMATION

1. Detailed list of non-recurring profit or loss items

Item	Amount	Note
Gains from shares held before combinations involving enterprises not under common control measured at fair value	27,504,389.73	In the current year, Shenchang Expressway Company was included in the consolidated financial statements of the Group as entities not under common control. Gain or loss arising from equity shares acquired before the acquisition date was recalculated per fair value.
Income from entrusted management services	16,858,867.92	Income from entrusted management services provided to Coastal Company and Longda Company in current period.
The amortisation of compensation provided by concession grantor	10,783,395.41	The amortization of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognized in current period according to traffic volume method which disclosed as a deduction of the amortization of the related concession intangible assets.
Income from financial products	7,581,799.16	
Gain on change in the fair value of the foreign exchange swap business	-61,180,352.34	To lock the exchange rate risk, the Group entered into foreign exchange swap businesses for the bond with principal value of 300 million dollar, and related gains on change in fair value were recognized during the current period.
Other profit or loss items that meet the definition of non-recurring profit or loss	25,209,111.30	The compensation for the expropriation of land-use right for Shenzhen Airport-Heao Expressway – Eastern Section was recorded in the current other income.
Impact of minority interests	-430,617.41	
Impact of income tax	1,873,116.67	
Total	28,199,710.44	

Basis for preparation of detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory announcement No.1 on information disclosure by companies offering securities to the public – non-recurring profit or loss (2008) ('Explanatory announcement No.1') from CSRC, non-recurring profit or loss refer to those arises from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making proper judgments on the performance and profitability of an enterprise.

Notes to Financial Statements

For the six months ended 30 June 2017
(All amounts in RMB unless otherwise stated)

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

2. Return on net assets and earnings per share

Profits of reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	5.72	0.340	0.340
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	5.51	0.327	0.327

Company Information

I. Company Profile

Registered name	深圳高速公路股份有限公司
Chinese abbreviation	深高速
English name	Shenzhen Expressway Company Limited
English abbreviation	SZEW
Legal representative	HU Wei

II. Contact Information

	Secretary of the Board	Joint Company secretary	Securities officer
Name	LUO Kun	LUO Kun, LAM Yuen Ling Eva	GONG Xin, XIAO Wei
Contact address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen		
Telephone	(86) 755-8285 3331; (86) 755-8285 3338		
Fax	(86) 755-8285 3400		
E-mail	secretary@sz-expressway.com		
Investor hotline	(86) 755-8285 3330		

III. General Information

Registered address	Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen (Postal Code: 518110)
Place of business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

Company Information

IV. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	http://www.sse.com.cn http://www.hkexnews.hk http://www.sz-expressway.com http://www.sz-expressway-ir.com.hk (for H Shares only)
Interim report available at	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen Hong Kong: Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong

V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Stock Exchange of Hong Kong Limited	SZEW B2107	5684

- ◆ Unless otherwise stated, the amounts stated in this report are in RMB.
- ◆ The total of breakdown and the total may not equal in mantissa due to rounding.



SHENZHEN EXPRESSWAY COMPANY LIMITED

www.sz-expressway.com