SHENZHEN EXPRESSWAY COMPANY LIMITED

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

Annual Report
2013

共同進步 分享快樂
Advancing Together, Harvesting Together

"啟(**Launch**)" is an ideogram with the principal meaning of "open" and an extended meaning of "explore" and "set off".

Following a series of policy adjustments in the industry and the increase in investment and management cost, the number of toll highway projects in traditional mode with commercial value has been decreasing. How to respond to the prevailing situation, innovate and reform and get a balance between industry development and business interests, is the highlight for the future of Shenzhen Expressway. With "啟(Launch)" as the theme of this year, it reflects currently the most pressing and crucial mission for the Company, which is to timely respond to changes in environment, in order to **launch** a new direction for the ongoing development of the Company, and to **set off** a new journey on the development path accordingly.

In recent years, the Company has seized the opportunity for assets adjustment and optimisation, and proactively explore the opportunities of new investment and the direction of business development. On this basis, the Company will **launch** a new phase of strategic research and decision making work to conduct profound research on the development strategies and business models in and outside the industry, **turning** a new chapter during the balanced and sustainable development of the Company.

Member of Shenzhen International
Holdings Limited

Contents

Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain "forward-looking statements". These forward-looking statements include, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company. Statements with words or phrases containing "anticipate", "expected", "plan", "believe", "estimate" and similar expressions are intended to identify a number of these forward-looking statements. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Users of this report are cautioned that most of these factors are not under the control of the Company and may affect the performance, operations and actual results of the Company. Affected by these factors, the future results of the Company may substantially differ from these forward looking statement. Users of this report should consider the aforesaid and other factors, 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 these forward-looking statements.

Important Notice

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 annual 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.

All Directors attended the sixteenth meeting of the sixth session of Board in which this annual report was approved in person.

The financial statements for the year 2013 of the Company have been audited by PricewaterhouseCoopers Zhong Tian LLP, for which a standard unqualified audit's report was issued. The financial statements for the year of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Mr. Yang Hai, Chairman, Mr. Wu Ya De, President, Ms. Gong Tao Tao, Financial Controller, and Mr. Sun Bin, General Manager of Finance Department, declare and confirm the truthfulness, accuracy, and completeness of the financial statements contained in this annual report.

The Board recommended the payment of a final dividend of RMB0.16 (tax included) per share in cash for 2013, and did not recommend any conversion of capital reserve into share capital. Such proposal is to be submitted to the 2013 Annual General Meeting of the Company for approval.

There is no external guarantee in violation of decision-making procedures in the Company.

There is no non-operating fund occupancy by the controlling shareholder and its related parties in the Company.

Cautionary Statement in relation to Major Risk

In recent years, the toll highway industry has continually encountered the pressure and challenges caused by changes or adjustments in policy. The country has launched individual policies in succession including Green Passage Toll Free Policy and Toll Free Scheme on Holidays, and has carried out a nationwide specific clean-up work since 2011 leading to reduce in toll fees, shorten in operation period, or cancel in toll collection of certain projects. At present, the negative impact brought by the introduced policies are becoming stabile and clear, but there are still large uncertainties in the policy direction and the management principle for the development of the industry. The Group will continue to adhere to the idea of sound operation, making great efforts to increase income and reduce expenditure, and adjusting the management strategy timely to adapt to the policy changes and do our best to reduce the negative impact.

In Chapter V of this annual report, detailed information on the risks faced in operating activities and the countermeasures are provided for investors' attention, with a view to improve the understanding of the company's business, management and development trends.

Other notes:

1. Unless otherwise stated, the amounts stated in this report are in RMB.

2. The total of breakdown and the total may not equal in mantissa due to rounding.

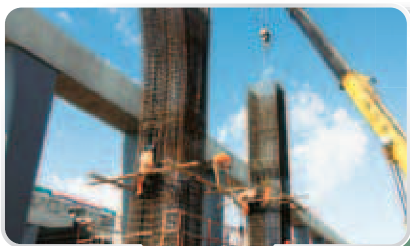
3. For the abbreviation of the Company's roads/projects, investee companies, and other common terms, please refer to Chapter XII and Chapter I of this report.

Introduction to the Company

The Company was established on 30 December 1996. It is principally engaged in the investment, construction, operation and management of toll highways and roads.

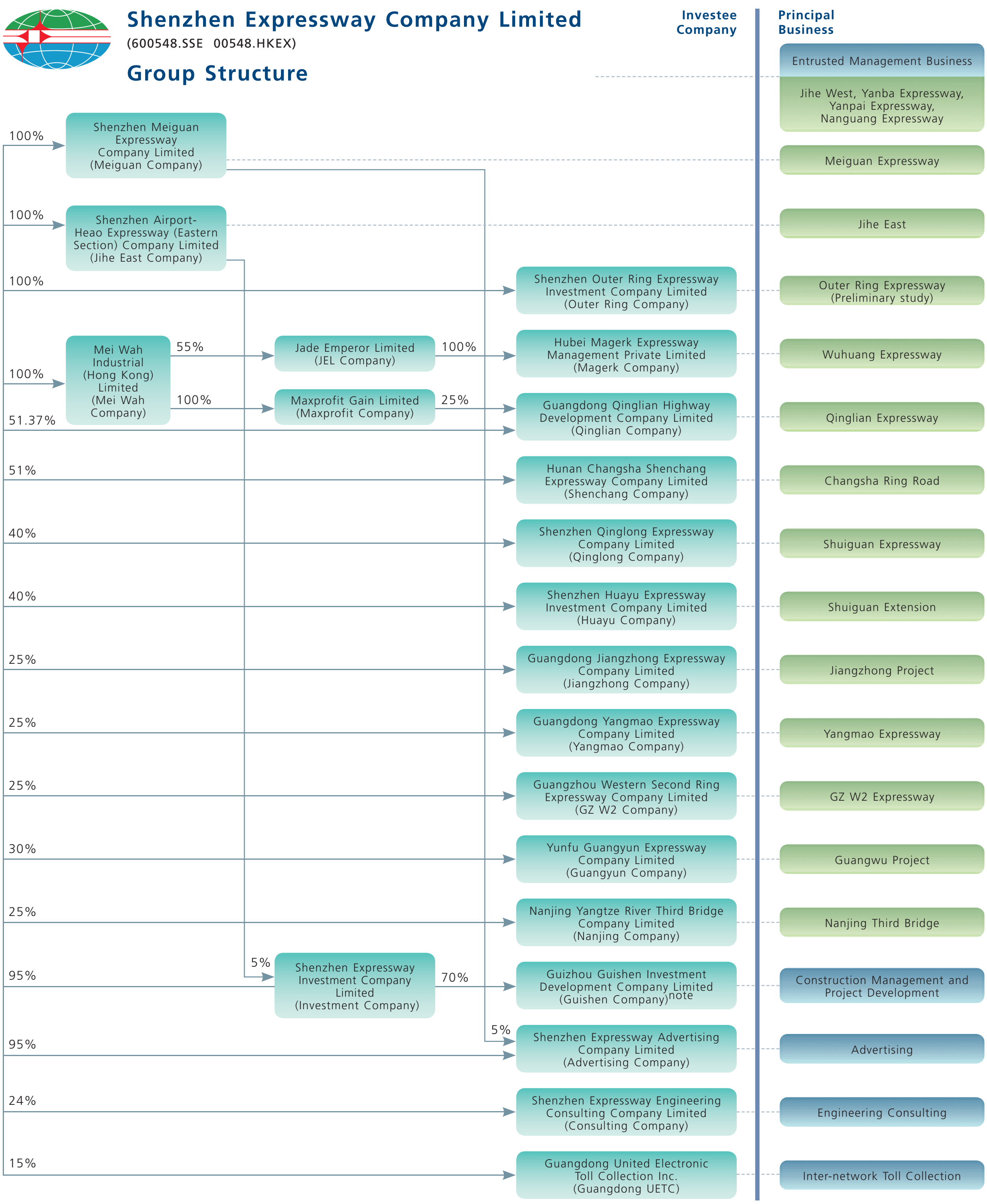
A total of 2,180,770,326 shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively. XTC Company, who is one of the promoters of the Company and is a wholly-owned subsidiary of Shenzhen International which is listed on HKEx, holding 30.03% of the Company's shares, is the largest shareholder of the Company. Shenzhen International has been the indirectly controlling shareholder of the Company with holding over 50% of the Company's shares since December 2008.

As at the end of the Reporting Period, the Company operated and invested totally 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) is approximately 427km. In addition, the Company provides outstanding construction management and operation management services for government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highway, the Company has launched the businesses related to advertising, construction consulting, and inter-network toll collection.



For details regarding the Company's basic information and toll highway projects, please refer to Chapter XI of this annual report.

Introduction to the Company



Note: There are several wholly-owned subsidiaries under Guishen Company, including Guizhou Shenzhen Expressway Property Company Limited (Property Company), Guizhou Shengbo Property Company Limited (Shengbo Company), Guizhou Yuelong Investment Company Limited (Yuelong Company), and Guizhou Pengbo Investment Company Limited (Pengbo Company).

Toll Highway Business

Other Businesses

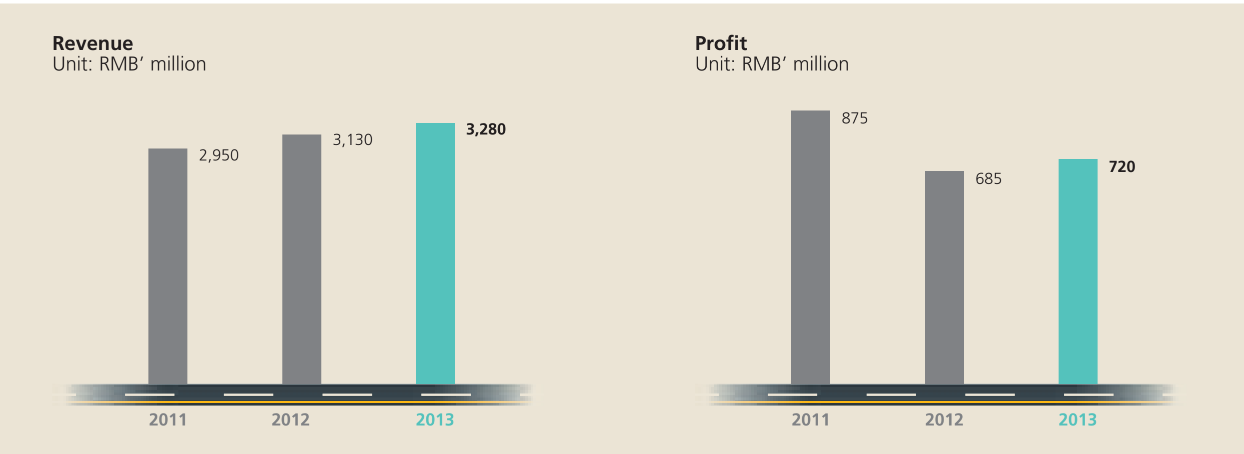
Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2013	2012	Change as compared to last year	2011
Revenue	**3,279,281,057.26**	3,134,623,093.04	4.61%	2,951,619,056.98
Net profit attributable to owners of the Company	**719,691,617.00**	684,526,701.99	5.14%	875,146,104.56
Net profit attributable to owners of the Company – excluding non-recurring items	**828,414,277.54**	659,695,721.22	25.58%	847,416,427.67
Net cash flows from operating activities	**1,761,224,786.28**	1,530,654,667.48	15.06%	1,508,130,603.41

Item (Unit: RMB)	As at 31 Dec 2013	As at 31 Dec 2012	Change as compared to the end of last year	As at 31 Dec 2011
Total assets	**22,840,107,479.91**	24,209,125,042.19	-5.65%	24,608,792,701.94
Owners' equity attributable to owners of the Company	**9,974,420,429.05**	9,536,486,092.32	4.59%	9,204,417,052.53

Item (Unit: RMB, unless otherwise stated)	2013	2012	Change as compared to last year	2011
Earnings per share – basic	**0.330**	0.314	5.14%	0.401
Earnings per share excluding non-recurring items – basic	**0.380**	0.303	25.58%	0.389
Earnings per share – diluted	**0.330**	0.314	5.14%	0.401
Return on equity – weighted average (%)	**7.40%**	7.33%	Increase 0.07 pct.pt	9.84%
Return on equity excluding non-recurring items – weighted average (%)	**8.51%**	7.06%	Increase 1.45 pct.pt	9.52%



Financial and Operational Highlights

◆ Non-recurring items deducted and their amounts:

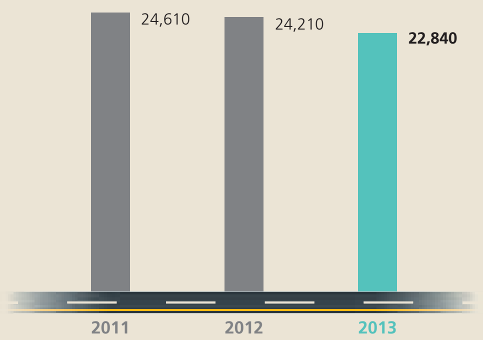
Non-recurring item (Unit: RMB)	**2013[Note]**	2012	2011
Profit from entrusted operation management services	**16,990,200.00**	16,990,200.00	20,779,025.37
The amortisation of compensation provided by concession grantor	**16,394,108.60**	13,749,423.41	12,776,796.62
Investment income generated from disposal of joint venture	**—**	450,000.00	—
Loss resulted from disposal of Qinglian Class 2 Road (including relevant cleanup costs)	**(241,244,535.65)**	—	—
Other non-operating income and expenses	**2,608,984.04**	(1,411,301.77)	510,735.17
Effect on minority interests	**42,740,678.54**	432,521.40	(15,908.51)
Income tax effect	**53,787,903.93**	(5,379,862.27)	(6,320,971.76)
Total	**(108,722,660.54)**	24,830,980.77	27,729,676.89

Note: Details of these items are set out in Supplementary Information for Financial Statements in Chapter X of this annual report

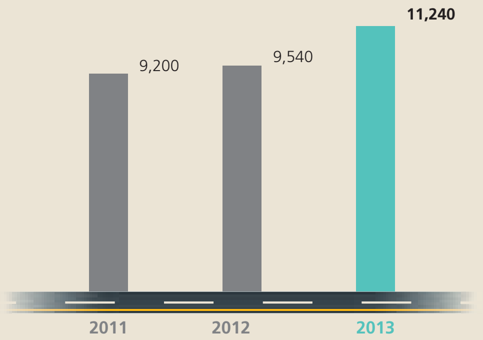
◆ Items measured at fair value:

Item (Unit: RMB)	As at 31 Dec 2012	**As at 31 Dec 2013**	Change during the Period	Impact on profit for the Period
Derivative liabilities	16,070,892.42	**24,676,144.27**	8,605,251.85	(10,348,113.96)

Total Assets
Unit: RMB' million



Net Assets
Unit: RMB' million



II. Statistics Summary for Last Five Years

1. Average Daily Traffic Volume

Unit: number of vehicles

Project	2013	2012	2011	2010	2009
Meiguan Expressway	**129,769**	124,921	118,976	117,244	98,318
Jihe East	**149,896**	128,414	118,215	111,530	93,019
Jihe West	**123,343**	106,564	99,390	91,111	72,800
Yanba Expressway	**31,260**	28,563	27,610	24,313	16,509
Yanpai Expressway	**50,188**	41,473	38,501	39,734	33,763
Nanguang Expressway	**75,029**	58,715	55,995	50,612	32,212
Shuiguan Expressway	**155,477**	138,285	124,714	134,561	118,064
Shuiguan Extension	**39,119**	29,331	31,941	40,485	32,294
Qinglian Expressway	**28,344**	22,827	21,445	18,292	16,011
Yangmao Expressway	**31,481**	26,978	23,477	20,066	17,795
Guangwu Project	**27,177**	25,339	23,089	17,475	11,190
Jiangzhong Project	**89,467**	90,556	90,270	68,476	50,899
GZ W2 Expressway	**42,175**	34,796	33,493	28,768	14,883
Wuhuang Expressway	**39,127**	39,712	37,856	38,034	32,412
Changsha Ring Road	**14,015**	13,206	9,516	8,558	7,342
Nanjing Third Bridge	**29,312**	24,680	23,293	22,057	20,029

2. Average Daily Toll Revenue

Unit: RMB'000

Project	2013	2012	2011	2010	2009
Meiguan Expressway	**803.1**	875.6	943.2	951.4	814.0
Jihe East	**1,328.8**	1,239.9	1,407.1	1,414.7	1,242.0
Jihe West	**1,048.2**	1,079.8	1,229.9	1,169.2	951.4
Yanba Expressway	**444.1**	387.4	369.3	335.4	213.4
Yanpai Expressway	**541.0**	514.0	463.8	428.6	382.6
Nanguang Expressway	**787.2**	628.8	589.0	523.5	302.9
Shuiguan Expressway	**1,297.7**	1,204.5	1,122.0	1,229.9	1,072.4
Shuiguan Extension	**176.1**	155.5	196.7	250.6	202.5
Qinglian Expressway	**1,948.1**	1,460.6	1,280.4	1,036.8	829.9
Yangmao Expressway	**1,469.2**	1,326.2	1,209.4	1,094.9	967.5
Guangwu Project	**718.5**	681.3	644.4	471.9	305.7
Jiangzhong Project	**924.1**	931.6	972.4	870.2	707.2
GZ W2 Expressway	**824.8**	713.0	740.0	672.3	471.0
Wuhuang Expressway	**1,040.4**	1,170.4	1,146.2	1,268.3	1,090.0
Changsha Ring Road	**143.6**	119.4	86.3	72.8	63.6
Nanjing Third Bridge	**1,169.5**	894.7	828.6	782.9	672.1

Financial and Operational Highlights

3. Financial Highlights

Item (Unit: RMB million, unless otherwise stated)	**2013**	2012	2011	2010 (Restated)	2009 (Restated)
Revenue	**3,279**	3,135	2,952	2,765	1,840
Of which: Toll revenue	***2,898***	*2,726*	*2,716*	*2,615*	*1,733*
Profit before interests and tax	**1,521**	1,581	1,755	1,517	1,091
Net profit	**720**	685	875	746	540
Net cash inflows from operating activities	**1,761**	1,531	1,508	1,887	1,012
Net cash inflows from operating activities and cash return on investments	**1,854**	1,617	1,633	2,041	1,253
Interest covered multiple (Times)	**2.44**	2.42	2.92	2.75	2.11
Earnings per share (RMB)	**0.330**	0.314	0.401	0.342	0.248
Cash dividends per share (RMB)	**0.16 (proposal)**	0.13	0.16	0.16	0.12

Item (Unit: RMB million, unless otherwise stated)	**As at 31 Dec 2013**	As at 31 Dec 2012	As at 31 Dec 2011	As at 31 Dec 2010 (Restated)	As at 31 Dec 2009 (Restated)
Total assets	**22,840**	24,209	24,609	23,050	22,791
Total liabilities	**11,601**	13,336	14,111	13,076	13,346
Total equity	**11,239**	10,873	10,497	9,974	9,445
Debt-to-asset ratio (%)	**50.79%**	55.09%	57.34%	56.73%	58.56%
Gross liabilities-to-equity ratio (%)	**103.22%**	122.66%	134.43%	131.10%	141.30%
Net borrowings-to-equity ratio (%)	**73.03%**	79.18%	82.99%	89.21%	99.62%
Net assets per share (RMB)	**4.57**	4.37	4.22	3.97	3.75

Description on the restatement:

As the financial statements of JEL Company have been consolidated into those of the Group since 1 July 2011, which represents the business combinations involving entities under common control, the Group made corresponding restatement to the financial statements for the financial years before 2011 according to the relevant requirements of CASBE.

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

Events of the Year

Construction management

- The delivery and inspection of Section A of Nanping (Phase II) was completed in August.
- The delivery and inspection of Phase I of Coastal Expressway (Shenzhen Section) was completed in the third quarter.
- The expansion works for North Section of Meiguan Expressway was completed by the end of the year.
- The progress of Guilong Project was satisfactory, more than 50% of progress of the construction has been completed by the end of the year.

Operation/highway management

- The maintenance works for Jihe East have been completed in January.
- The maintenance works for Jihe West entered into the road surface maintenance stage in December.
- The toll collection of Qinglian Class 2 Road has been cancelled since 1 July.
- Provincial-wide inter-network toll collection in Guangdong province was steadily pushed forward. It is scheduled to be completed in the middle of 2014.

Business development

- The Board approved the further development of the land of Guilong Project with an area of 300 mu on our own.
- Made successful bids for the lands of Guilong Project. As at the date of this report, lands with a total of area of 1,863 mu were obtained.
- The toll adjustment of Meiguan Expressway was proposed and is to be considered at the general meeting to be convened in late March 2014.

Chairman's Statement

To all shareholders,

On behalf of the Board, I hereby report to the shareholders that in 2013, the Group realised earnings of RMB720 million with earnings per share of RMB0.33. The Board recommended the payment of a final cash dividend of RMB0.16 per share in cash for 2013, amounting to 48.5% of earnings per share. The proposed dividend will be paid upon the approval at the 2013 Annual General Meeting. The Company endeavors to make a fine balance between long-term development and shareholders' return and provide a steady and ongoing return to shareholders.

YANG HAI
Chairman

Business Review

In 2013, the Group encountered many difficulties and challenges in operation and management. The negative impact of the policy adjustments in the toll highway industry extended to the entire year, directly affecting the Company's revenue and operating cash flows. The toll collection of Qinglian Class 2 Road was cancelled during the year, leading to the pressure of loss in the Group's assets. Impacted by various factors such as land requisition, demolition and relocation, as well as approval procedure and road-network coordination, there was a risk of lagging behind schedule of construction projects. Without a clear direction of the industry policy, the uncertainty was increased in the future operation of the toll highway business, affecting the judgment on the financial safety and the investment value of the Company by creditors and investors.

Facing changes and challenges, the Company adhered to its philosophy of sound operation, delivered each management task in a practical way and tackled the new issues encountered in operations in a problem solving manner, resulting in a well achieved annual management target.

During the year, domestic economic growth became stabilised and there were signs for recovery from other major economies in the world, which were conducive to the overall traffic demand. Adjustment in toll policy caused a rather significant decrease in the revenue from the Group's major projects, but it also drove the traffic growth of road network. Meanwhile, the Group enhanced its operation and management on an ongoing basis, launched active marketing and promotion campaigns in response to policy changes and consistently improved the peak-hour traffic divergence and emergency response management. With these measures, the competitiveness and operational performances of projects were strengthened. The Group recorded toll revenue of approximately RMB2.9 billion, which exceeded the expectation made in the beginning of the year.

Chairman's Statement

For the construction management, our engineering staff insisted on the implementation of meticulous management for all sessions of the projects. With the intensive management experience and commitment on overcoming all challenges, they ensured the achievement of various targets such as progress, quality, cost and safety. The expansion works for North Section of Meiguan Expressway completed at the end of 2013. It would effectively enhance the traffic capacity of the road network and service quality of Meiguan Expressway and the connected roads. During the year, the delivery and inspection of the first phrase of Costal Project had completed and Guilong Project was underway as planned, which were conducive to ensure the revenue from entrusted construction business of the Company and offer a new earning growth point for the Group. With the successful completion of construction projects and based on the meticulous attitude and integrity of the management team, it won reputation in the construction management market and set a positive brand image for the Group, fostering more market opportunities for the Group.

Along with the adjustment in industry policies, there are subtle changes in the credit policies and risk judgment of banks and the bond market on the toll highway industry. The Group has strengthened cooperation with financial institutions, made investigation on credit conditions and capital market on a regular basis, identified and comprehended the changes in policies and risks and enhanced the forecast and management of the demand and supply of capital in order to secure the financial safety of the Group. During the year, the Company completed the settlement of medium-term notes and corporate bonds amounted to RMB2.2 billion in aggregate on schedule. The Company continued to maintain the rating of AAA in credit rating for borrowing enterprises. The overall financial costs were under effective control with an YOY decrease of approximately 6%.

Development Strategies

Under the development of the economy and policy change, the toll highway industry saw the boosting costs of many aspects such as investment and construction, maintenance and daily operations. In particular, for the newly built toll highways, their overall yield showed a downward trend caused by the rising costs of land requisition, demolition and relocation as well as construction. The public criticism on toll highway industry definitely exerted greater pressure on operation of the companies as well as higher cost and pressure on management.

The toll highway industry is a capital intensive industry. The preliminary investment is material and the recovery period is long. No matter it is funded by shareholders or borrowings, a significant capital cost will be incurred. Accordingly, it is not fair for investors and operators of toll highway industry to simply use gross margin to illustrate the relatively high operating profits of the industry. On the contrary, due to the relatively lower return on investment of projects or companies in the industry and the lower yields of net assets at an increasing policy and management risk, there are increasingly more investors who opt to exit or are reluctant to make further commitment.

During the year, the toll collection of Qinglian Class 2 Road was cancelled. It was necessary for the Group to clean-up its assets. Although it had a negative impact on the operating results, it lowered the risk of significant amount of management efforts and maintenance cost in the future. If the Group is able to seize the opportunity, it can manage to nimble through asset adjustments and optimisation, and gain a larger capacity and greater momentum for development. Through arduous negotiations and with

its persistent efforts, the Group and the Shenzhen Government finally entered into an agreement on the adjustment regarding toll collection of Meiguan Expressway in early 2014. Accordingly, the Group will receive a reasonable compensation on market basis for the adjustment of toll collection. Also, it is beneficial to the overall social and economic growth and development of the regions along the highway and therefore is a balanced win-win situation. However, the management has to tackle, once again, the issue of how to maintain a long term and steady development for the Company. In addition, Coastal Expressway was opened for operation and the construction of Outer Ring Expressway has been set in the agenda of the government plan. The management and investment proposal for these projects is urgently required to be confirmed.

For the long run future, toll highway business will remain to be the major business segment and source for profit of the Group. However, the Company believes that if the future development of the industry is expected to be more sound and sustainable, a more scientifically positioned, designed and planned development of the industry by the government is necessary. The operators of the industry are required to be more cost effective with their operation and management. Also, an objective and fair view and appraisal by the public towards the roles and functions of expressways is also needed. Being one of the industry peers, the Company will continue to enhance and improve its management standard. Meanwhile, the Group will adapt to the social and economic development, jointly explore with the government authorities a business model which is more applicable to the industry and the Group, and seek a solution plan which takes the public interest and commercial value into account. Entrusted operation and entrusted construction, repurchase by the government and BT-linked land development are among the positive attempts. Looking forward to the development of the industry, more available business models and channels are necessary to solve the conflict between investments in infrastructure and the demand and supply for a fast and cost effective traffic service. With its core business capability and management ability, the Group will capitalise from any new development opportunity to obtain the reasonable return.

The Group actively explored and tried various business mix in order to diversify the industry risks amidst the changes of operating environment. In 2014, the Company will officially launch a new round of strategic research and decision making efforts to conduct profound research on the development strategies and business models in and outside the industry in order to confirm the next development direction and plan the development path and milestones. The balanced and sustainable development of the Company will be enhanced if we adapt to the current trend and utilise resources efficiently.

Acknowledgements

On behalf of the Company and its Board, I would like to express my gratitude to all staff members for their hard work and dedication, to all investors, customers and business partners for their trust and support. With concerted support from all parties, we believe Shenzhen Expressway will be able to build on the past, well poise for any opportunities and create a bright future.

Yang Hai
Chairman

Shenzhen, PRC, 19 March 2014

CHAPTER V
Management Discussion & Analysis

Management Discussion & Analysis

Section 1 – Business Review

The Group's revenues and profits are mainly derived from toll highway operations and investments. As at the end of the Reporting Period, the Company operated and invested a total of 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) is approximately 427km. In addition, the Company provides outstanding construction management and highway operation management services for the government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highway, the Company has launched the businesses such as advertising, construction consulting, and inter-network toll collection. The principal business structure of the Company is set out as follows:

Shenzhen Expressway Company Limited

Toll Highway Business

Guangdong Province – Shenzhen Region

◆	Meiguan Expressway	100%
◆	Jihe East	100%
◆	Jihe West	100%
◆	Yanba Expressway	100%
◆	Yanpai Expressway	100%
◆	Nanguang Expressway	100%
◇	Shuiguan Expressway	40%
◇	Shuiguan Extension	40%

Guangdong Province – Other Regions

◆	Qinglian Expressway	76.37%
◇	Yangmao Expressway	25%
◇	Guangwu Expressway	30%
◇	Jiangzhong Project	25%
◇	GZ W2 Expressway	25%

Other Provinces in the PRC

◆	Wuhuang Expressway	55%
◇	Changsha Ring Road	51%
◇	Nanjing Third Bridge	25%

Entrusted Management Business

◆ Entrusted Construction Management
◆ Entrusted Operation Management

Other Business

◆ Advertising
◇ Construction Consulting
◇ Inter-network Toll Collection

◆ Consolidated project / business
◇ Non consolidated project / business

I. Toll Highway Business

In 2013, the traffic volume of road projects in which the Group operated and invested continued to grow. However, subject to the different impact of factors such as the development of macroeconomy and regional economies, policy on the industry, changes in road network, the performance of the projects' toll revenue varied. Basic operational statistics of each project during the Reporting Period are as follows:

	Average daily mixed traffic volume (number of vehicles in thousand) (1)			Average daily toll revenue (RMB'000)		
Toll highway	**2013**	2012	Change	**2013**	2012	Change
Guangdong Province – Shenzhen region:						
Meiguan Expressway	**130**	125	3.9%	**803**	876	-8.3%
Jihe East	**150**	128	16.7%	**1,329**	1,240	7.2%
Jihe West	**123**	107	15.7%	**1,048**	1,080	-2.9%
Yanba Expressway (2)(3)	**31**	29	9.4%	**444**	387	14.7%
Yanpai Expressway	**50**	41	21.0%	**541**	514	5.3%
Nanguang Expressway	**75**	59	27.8%	**787**	629	25.2%
Shuiguan Expressway	**155**	138	12.4%	**1,298**	1,205	7.7%
Shuiguan Extension	**39**	29	33.4%	**176**	155	13.2%
Guangdong Province – other regions:						
Qinglian Expressway (3)	**28**	23	24.2%	**1,948**	1,461	33.4%
Yangmao Expressway (3)	**31**	27	16.7%	**1,469**	1,326	10.8%
Guangwu Project (3)	**27**	25	7.3%	**719**	681	5.5%
Jiangzhong Project	**89**	91	-2.3%	**924**	932	-0.8%
GZ W2 Expressway	**42**	35	21.2%	**825**	713	15.7%
Other Provinces:						
Wuhuang Expressway (3)	**39**	40	-1.4%	**1,040**	1,170	-11.1%
Changsha Ring Road	**14**	13	6.1%	**144**	119	20.2%
Nanjing Third Bridge (3)	**29**	25	17.8%	**1,169**	895	30.7%

Notes:

(1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.

(2) For the convenience of residents in Shenzhen to go to the eastern coast for leisure and vacation, the government has made collective payment to the Company for the vehicles travelling to and from Yantian and Dameisha ramp based on the agreed standards and methods since February 2007. During 2013 to 2017, toll fees paid by the government as agreed are RMB19 million annually, which will be included in the toll revenues of Yanba Expressway on a monthly basis. Arrangement after 2017 will be negotiated and confirmed by both parties before the expiry of the agreement.

(3) Projects for which toll-by-weight policy has been implemented.

Management Discussion & Analysis

Section 1 – Business Review

Economic Environment —

In 2013, the GDP of the PRC recorded a YOY growth of 7.7% and with an annual YOY growth of 7.6% in total import and export. The domestic economy is generally stable. During the Reporting Period, the GDP of Guangdong Province increased by 8.5% compared to the same period in last year, being the first province in the nation that breaks through USD1 trillion in GDP. Driven by the active adjustments of industrial structure policy in recent years, Guangdong Province recorded a significant growth in consumption in 2013. The total retail sales of consumer goods for the year were RMB2.55 trillion with a YOY growth of 12.2%. In addition, domestic auto production and sales still maintained a good growth momentum, and car ownership in Shenzhen region was over 2.5 million as at the end of 2013. However, the paces of the growth of macro-economy, the total imports and exports and the port throughout showed a general trend of slowdown. Source of data: Governmental statistics information website, the website of the customs Under such macro environment, the natural growth of most of the toll highways of the Group maintained at a certain and relatively stable level.

Policy Environment —

During recent years, the external operating environment of the toll highway industry has undergone relatively substantial changes. The continual release of individual policies or administrative measures by the state and local governments has brought relatively substantial negative effects on the toll revenues of our projects.

In 2013, the negative impact for the Guangdong Province to implement Standardisation Scheme[1] and Toll Free Scheme on Holidays[2] nationwide still persists and spreads throughout the year. According to a rough calculation based on available data and historical data [Note], the implementation of the aforesaid policies resulted in the decrease of RMB385 million and RMB136 million respectively (2012: RMB193 million and RMB43 million) in toll revenue in the consolidated statements of the Group in 2013. In addition, the calculation [Note] for the effect of Green Passage Toll Free Policy[3] on the consolidated statements of the Group was approximately RMB75 million (2012: RMB62 million). However, the adjustment to toll fees or toll free measures can attract some traffic volume to drive through highways and it can gradually form a stable driving habit, and facilitate the growth of traffic volume over the whole road network.

Note: Simulation calculation for relevant impact was done by the Company based on the available data and historical data. With the limitation on the adjustment to the data statistical method and the differences of the operating environments in different years, the related estimation cannot be entirely accurate. Such data are for investors' reference only. Investors are advised to use such data in a prudent manner.

According to the notice issued by the Guangdong Provincial Transportation Department, starting from 24:00 on 30 June 2013, Guangdong Province has cancelled toll collection of 31 road and bridge projects, including Qinglian Class 2 Road. Qinglian Class 2 Road was opened for operation in 1993. Due to its longer operation period and that its road surfaces were badly worn out as it took up most of the traffic flow during the period of reconstruction into an expressway for Qinglian Class 1 Highway, Qinglian Company closed the road since late September 2010 in order to carry out the routine and necessary overhaul, during which toll collection has been suspended. Qinglian Company and its two shareholders were highly concerned about the cancellation of toll collection of Qinglian Class 2 Road, studied the related policies and requirements seriously, and coordinated with competent authorities of the government through various possible ways to finalise specific arrangements of the cancellation of toll collection. For the impact on the Group, please refer to Section 2 Financial Analysis of this Chapter and notes 5(10) and 8(2) to the Financial Statements in Chapter X of this annual report.

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1 **Standardisation Scheme:** The toll fees of the expressways in the province, starting from 1 June 2012, had been standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and subsequent adjustment was made for the increase of the toll fees as a result of the implementation of aforesaid scheme.

2 **Toll Free Scheme on Holidays:** Subject to the approval of the State Council, since the second half of 2012, the toll fees of toll highways for passenger cars with seven seats or less were waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off.

※ For details of the policies mentioned above, please refer to the announcements of the Company dated 31 May 2012 and 17 August 2012.

3 **Green Passage Toll Free Policy:** Since December 2010, "Green Passage Toll Free Policy" must be implemented in all expressway projects in China to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products.

Operating Condition and Environment —

During the year, expansion works for North Section of Meiguan Expressway and the maintenance works of Jihe West were carried out. Those negatively affected the traffic conditions and operational performance of the projects and the connected roads. The expansion works for North Section of Meiguan Expressway have been completed in late 2013; Jihe West has principally carried out repair work against damage during the year, and formally carried out road surface maintenance works since December 2013. The project is expected to be completed in the first half of 2014.

The continuous improvement of road network and facilities can facilitate people's selections and demand to use highway transportation means, drive the increase of the overall traffic volume level among the road network. Meanwhile, it can also bring changes to the traffic volume distribution of the road network, resulting positive or negative impacts on the operational performance of the specific project. Furthermore, in view of the data of the Reporting Period, plans to divert or traffic organisation have been implemented among roads owing to urban traffic control or constructions, giving a stronger support to the operational performance of adjacent or parallel roads for a period.

◆ Guangdong Province – Shenzhen region

Since the second half of 2012, certain sections of Nanping (Phase II) has opened to traffic in succession, facilitating the growth of Nanguang Expressway's traffic volume. In late January 2013, Boshen Expressway (Boluo – Shenzhen, in Guangdong) was officially opened, bringing positive impacts on the operational performance of Yanpai Expressway while the revenue of Jihe East slightly decreased owing to the impact of its traffic diversion. Phase II of Qingping Expressway was officially opened in mid-September 2013, driving the traffic volume of Jihe East and Shuiguan Extension and creating a slight diversion over Meiguan Expressway.

◆ Guangdong Province – Other regions

At the end of 2012, a number of expressways commenced operation in Hunan Province, including Yonglan Expressway (Erguang Expressway Yongzhou to Lanshan section in Hunan) and Hengwu Expressway (Dual-line of G4 National Expressway Hengyang to Linwu section in Hunan). Improvement of connecting road networks brings Qinglian Expressway a new growth in traffic volume. In addition, the overhaul of Leiyi Section (Leiyang – Yizhang, in Hunan) of G4 National Expressway was conducted during the period from May to November 2013. During the period of overhaul, relevant traffic diversion measures had continuously driven rapid YOY growths in toll traffic volume and toll revenue of Qinglian Expressway. And the restricted access measure on some freight vehicles travelling through Guangzhou Ring Expressway taken since January 2013 has brought positive effect on the overall operational performance of GZ W2 Expressway.

On the other hand, Guangzhu Western Expressway (Guangzhou – Zhuhai, in Guangdong) fully opened to traffic in January 2013 and brings slightly negative effects to Jiangzhong Project. The further improvement of road networks between Guangdong and Guangxi diverted certain traffic volume of Guangwu Project during the year. Additionally, the reconstruction and expansion works of Guangqing Expressway (Guangzhou – Qingyuan, in Guangdong) which connects the southern end of Qinglian Expressway are currently in progress, and the restricted access measure on heavy freight vehicles travelling through the expressway to a certain extent limited the growth of traffic volume of Qinglian Expressway.

◆ Other provinces:

Daguang Expressway Southern Hubei Section (Huangshi – Tongshan, in Hubei) which opened to traffic in May 2012, promoted an increase in revenue of Wuhuang Expressway. However, affected by the negative factors such as the commence of operation of Han'e Expressway (Wuhan – Ezhou, in Hubei) at the end of 2012, which basically runs parallel to Wuhuang Expressway, the full opening of Hurong National Expressway (Shanghai – Chengdu, Sichuan), as well as further implementation of traffic control measures in Wuhan area, both toll traffic volume and toll revenue of Wuhuang Expressway recorded a YOY decrease in 2013.

The restricted access measure on some freight vehicles and long distance passenger vehicles travelling through Nanjing Yangtze River Second Bridge and relevant sections taken since the end of 2012 has changed the vehicle category of Nanjing Third Bridge and significantly brought positive effect on its operational performance.

Management Discussion & Analysis

Section 1 – Business Review

Operating Measures —

In order to improve the operational performance of the projects, the Group has formulated and implemented proactive marketing campaigns in view of the advantages and features of various highway projects by carrying out an intensive study on the functional positioning and features of neighboring regions of the projects, and paying continuous attention to the changes and travelling direction of vehicles in neighboring road networks. During the year, the Group had carried out multi-aspect works on marketing and management of road networks with emphasis on Qinglian Expressway, Nanguang Expressway and Yanpai Expressway. Measures taken included carrying out special promotion on the advantage, function and features of the projects through cooperation with well-known media; designing route guidance to strengthen traffic flow and activate road networks; placing more emphasis on the promotion of effect resulted from the adjusted toll fees on travel cost so as to procure the freight vehicles to travel through highway; helping the public to get familiar with the travel resources and connecting road by ways such as formulating and distributing travel guidance to highlight the Qinglian Expressway and Yanba Expressway's function as tourist routes. These marketing campaign and management measures had achieved satisfactory results and facilitated the improvement of the operational performance of each highway.

In the year 2013, the Group had proactively implemented the provincial-wide inter-network toll collection for the expressways according to the unified arrangements in Guangdong province. Moreover, the Group continuously optimised the emergency toll collection management system with focus on peak-hour traffic divergence and emergency response, and maintained the level of standardisation of operational works to improve the traffic conditions and efficiency of the road network in order to provide drivers and passengers with faster and safer services so as to improve competitiveness and operational performance of the projects.

Upon completion of maintenance works for the road surface of Jihe East, the Group has carried out maintenance works for the road surface of Jihe West during the year. The Group also conducted the study and design for the preventive maintenance program of Yanba Expressway. Through the practice, inspection, conclusion and promotion, we keep improving and optimising the models for road maintenance and strive to achieve the objective of "maximising the maintenance benefits for the whole operation period" while ensuring the traffic quality and enhancing the traffic capacity.

Reference information 1

The table below summarises and shows the effects of various factors such as policies and the changes in road networks on each project in the year 2013 for reference:

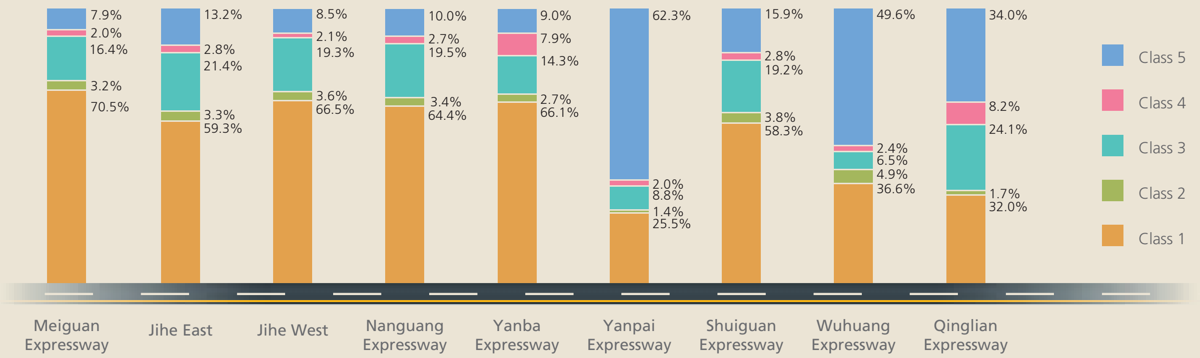
	Major affecting factor					
Toll highway	Policy – Standardisation Scheme	Policy – Toll Free Scheme on Holidays	Change in road networks	Stimulative effect of policy adjustment on the growth in traffic volume	Others	Change in average daily toll revenues (RMB'000)
Meiguan Expressway	↓	↓	↘	↑	Project expansion ↓	-73
Jihe East	↓	↓	↗↘	↑	Project maintenance in previous year ↑ Jihe West maintenance ↓	+89
Jihe West	↓	↓		↑	Project maintenance ↓	-32
Yanba Expressway	↘	↓			Negotiated revenue ↑	+57
Yanpai Expressway	↓	↓	↗	↑	Marketing measures ↑	+27
Nanguang Expressway	↘	↓	↗		Marketing measures ↑	+158
Shuiguan Expressway	↘	↓			Improvement in capacity ↑	+93
Shuiguan Extension	↓	↓	↑	↑		+21
Qinglian Expressway	↘	↓	↑↑↓		Marketing measures ↑	+487
Yangmao Expressway	↘	↓			Economic development in peripheral area ↑	+143
Guangwu Project	↓	↓	↘			+38
Jiangzhong Project	↓	↓	↘			-8
GZ W2 Expressway	↓	↓	↑			+112
Wuhuang Expressway	Project not in Guangdong	↓	↑↓↓↓			-130
Changsha Ring Road	Project not in Guangdong	↓	↑			+25
Nanjing Third Bridge	Project not in Guangdong	↓	↑			+274

↑: Positive effect ↗: Minor positive effect ↓: Negative effect ↘:Minor negative effect

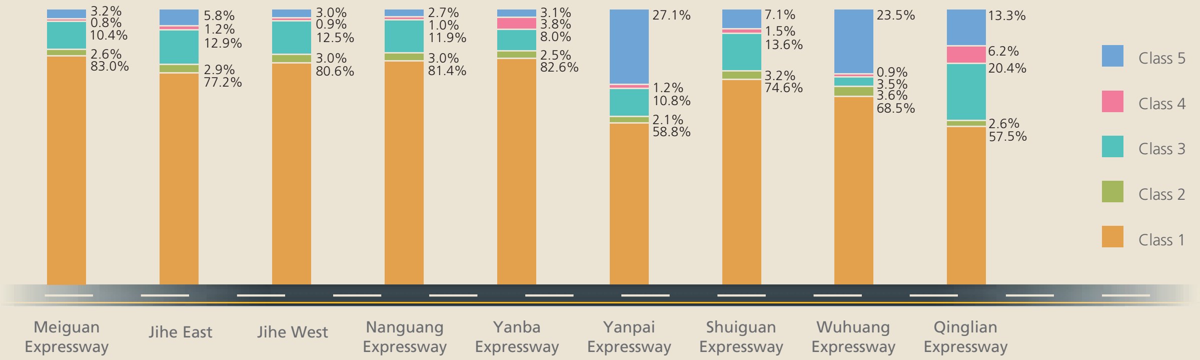
Reference information 2

There was no substantial changes in the vehicle category for each major highway project of the Group in 2013 as compared to that of last year. The following diagram shows the vehicle category of major highway projects of the Group during the Reporting Period:

Vehicle Category of Major Highways – by Revenue



Vehicle Category of Major Highways – by Traffic Volume



Development of Business —

The Company has a pre-emptive right for the development of Outer Ring Expressway. As the project requires large scale of investment with high construction cost, the Company is focusing on improving its design and investment structure and undergoing discussion and negotiation for feasible investment, construction and management models with the government departments to achieve a balance between corporate and social benefits. During the Reporting Period, the Company will continue to push forward the preliminary research work of Outer Ring Expressway but the actual investment model and developing plans of which are still uncertain.

Management Discussion & Analysis

Section 1 – Business Review

II. Entrusted Management and Other Businesses

Relying on the core business of toll highway and building on relevant management experience and resources, the Group has launched or engaged in related businesses such as entrusted management, advertising and construction consulting, and prudently tapping into new business areas as our meaningful attempts and auxiliary business in addition to our major business for further growth of the Group. In 2013, the entrusted management business of the Group realised the revenue of approximately RMB267 million and the advertising and other businesses realised the revenue of approximately RMB114 million, accounting for 8.1% and 3.5% of the Group's revenue respectively.

Entrusted Management Business —

The entrusted construction management business and the entrusted operation management business, also known as agent construction business and agent operation business, are the major businesses of the Group in addition to our toll highway business currently. Leveraging on our expertise and experience accumulated in relevant areas during these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation method as agreed with the entrusting party through the provision of services relating to construction management and toll highway operation management. During the Reporting Period, the entrusted construction business and entrusted operation business of the Group mainly includes Coastal Project, Nanping (Phase II), Guilong Project and Longda Project etc.

◆ Entrusted construction business

During the Reporting Period, the construction of Coastal Project was smoothly carried out, and the delivery and inspection of its first phase was completed in the third quarter. Coastal Company is currently pushing forward the preliminary work of the Phase II of Coastal Project. As at the end of the Reporting Period, the tender of the exploration design and environment assessment has been completed, and the exploration design work has commenced.

All investment of Section A of Nanping (Phase II) has been completed in July 2013, and the project is currently subject to the settlement and government audit work. Most of the construction works of Section B of Nanping (Phase II) are not ready to be commenced at the moment due to the adjustment in government's planning. Currently, the Company is coordinating with the entrusted party in respect of the overall construction arrangement of Section B. According to the stipulations in the contract, the above situation will not trigger any obligations of the Company under the agent construction contract.

With the experience of the entrusted construction business, the Group carried out Guilong Project through Guishen Company, and participated in the regional road construction and development by "build-transfer" mode ("BT Mode") in Longli, Guizhou. During the Reporting Period, the entrusted construction work for Guilong Project proceeded steadily as scheduled. As at the end of the Reporting Period, nearly 80% progress of the construction in physical shape has been completed.

◆ Entrusted operation business

In 2013, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the year, each management task was smoothly carried out. For details of the contract, please refer to point 16 in Chapter VI of this annual report.

Coastal Expressway (Shenzhen Section) opened to traffic for trail operation in November 2013. Pursuant to the Entrusted Management Agreement entered into between the Company and SIHCL in November 2009, the Company was entrusted to manage Coastal Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period and among which, the specific arrangement in respect of the entrusted management of the operation period will be confirmed after further negotiation, and subject to the ultimate approval of Shenzhen Government. As at the date of this report, the details of the entrusted mode, the calculation and payment arrangement of management fee are still under negotiation, and are subject to the approval procedures handled by the parties to the entrustment as stipulated.

For details of the profits and incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to Section 2 Financial Analysis in this Chapter and notes 5(29)(b)(i), 7(5)(a)(ii) and 7(5)(c) to the Financial Statements in Chapter X of this annual report.

Expansion of Entrusted Management Business —

Compared with the simple entrusted construction business, under the BT mode, the entrusted party is required to raise capital during the construction period. Therefore, the recovery of fund is the key part of management under this mode, and the method, period and safety of the recovery will directly affect the success and revenue of the project. During the year, Guishen Company has optimised the payment arrangement of Guilong Project through negotiation, further reducing the fund recovery risk of the project. Moreover, the Group, based on the features of the project and the actual circumstances of the Company, has adopted various effective measures through the platform of Investment Company and Guishen Company to carry out an intensive study and discussion on such key issues as how to effectively reduce the risk of fund recovery and timely realise the return on investment, so as to carry out business expansion and practices and cautiously entered into the businesses related to the Company's core business capability while realising reasonable returns.

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. Since 2012, Guishen Company has successfully won the bid for the land with an area of approximately 1,863 mu (approximately 1,240,000 square meters) with a total consideration of RMB652 million. Guishen Company has set up several wholly-owned subsidiaries to hold and manage the land use rights of the lands above. In July 2013, the Board of the Company approved Guishen Company and its subsidiaries to adopt a progressive development strategy to conduct further development of the land with an area of 300 mu (approximately 200,000 square meters) in the obtained lands on their own with the total expected investment up to RMB850 million. During the year, the preliminary works including planning and design in relation to the further development is in progress. The realisation of the market value of part of the land will allow the Group to realise the return on investment as soon as possible, and practically avoid the contract risk and market risk relating to the land. Meanwhile, it will also enhance the overall value of the peripheral land of Guilong Project and enrich our experience in project development and operation. On such basis, Guishen Company will realise the market value of the lands it holds through market transfer, cooperative development or self-development regarding the overall market conditions and development opportunities.

Other Businesses —

The Company is engaged in the businesses of billboard leasing, advertising agency, design production and related services alongside the toll highways and toll stations through its wholly-owned Advertising Company. Recently, Advertising Company has further expanded its business scale and scope by putting more efforts on acquisition of high-quality outdoor advertising resources. In April 2013, Advertising Company won the bid for four upright billboards in Shennan Avenue for a term of five years in the tender for the first batch of right to occupy the public areas for outdoor advertising in Shenzhen in 2013.

The Company holds 24% and 15% of interests in Consulting Company and Guangdong UETC by way of equity participation. The principal businesses of Consulting Company include project management consultancy, survey, design, engineering supervision, construction costs consultancy, tendering agency and test and inspection, and that of Guangdong UETC include electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sale of related products.

During the year, each of the above business, in general, proceeded smoothly and met the Group's expectation. Limited by the scale, the contribution from these businesses currently accounts for a small proportion of the Group's revenues and earnings. For details of the other businesses of the Company during the Reporting Period, please refer to Section 2 Financial Analysis in this Chapter and note 5(29)(b)(i) to the Financial Statements in Chapter X of this annual report.

Management Discussion & Analysis

Section 2 – Financial Analysis

The Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB719,692,000 (2012: RMB684,527,000) for 2013, representing a YOY increase of 5.14%. During the Reporting Period, the implementation of policies such as Standardisation Scheme, Toll Free Scheme on Holidays and cancellation of toll collection of Qinglian Class 2 Road caused material adverse effect on the Group's operating result. However, benefited from the combined effect of improved road network within the region, increased total traffic flow of the region and the implementation of corresponding measures by the Company to increase revenue and contain expenditures, overall toll revenue and profit derived from the toll highways operated and invested by the Group recorded a YOY increase. In addition, the profit from the entrusted construction management services, which was recognised by the Company based on the actual settlement of the work and the progress of completion, increased YOY. As a result, during the Reporting Period, the Group still recorded a small increase in Net Profit. Excluding the effect of loss from disposal of related assets of Qinglian Class 2 Road ("Loss from Disposal of Qinglian Class 2 Road Assets"), such Net Profit recorded a YOY increase of 25.32%. For details of the Loss from Disposal of Qinglian Class 2 Road Assets, please refer to point 6 of "Analysis of Operating Results" below.

I. Analysis of Operating Results

1. Revenue and Cost of Services

During the Reporting Period, the Group recorded revenue of RMB3,279,281,000 representing a YOY increase of 4.61%, of which toll revenue of RMB2,898,291,000, representing a YOY increase of 6.31%, was the main source of revenue of the Group. During the Reporting Period, the cost of services of the Group amounted to RMB1,526,197,000, which is substantially flat with that for previous year. A YOY change of entrusted management services revenue and cost for the Reporting Period was mainly attributable to the combined effect of change in settlement amount and gross margin of each project during the Reporting Period as well as the recognition of service revenue and cost related to the Guilong Project and Nanping (Phase II) in the current period. Figures of the revenue and the cost are set out as follows. A detailed analysis is set out in the section under "Profit before Interests, Tax and General and Administrative Expenses" below:

Revenue item	**2013 (RMB'000)**	Percentage of total	2012 (RMB'000)	Percentage of total	Change
Toll revenue	**2,898,291**	88.38%	2,726,353	86.98%	6.31%
Entrusted management services revenue	**266,656**	8.13%	294,486	9.39%	-9.45%
Other revenue (including advertising services revenue)	**114,334**	3.49%	113,784	3.63%	0.48%
Total revenue	**3,279,281**	100.00%	3,134,623	100.00%	4.61%

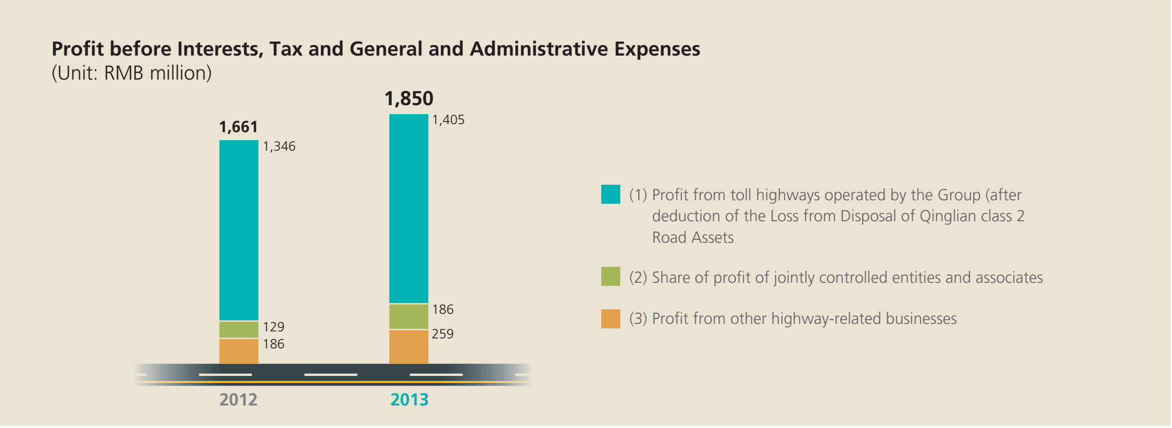
As a result of the business nature of the Group, except for revenue from toll highways, total revenue from the Group's top five customers amounted to RMB270,324,000, accounting for 8.24% of the total revenue of the Group. Details are set out in note 5(29) to the Financial Statements in Chapter X of this annual report.

Cost of services item	**2013 (RMB'000)**	Percentage of total	2012 (RMB'000)	Percentage of total	Change
Cost of traffic services	**1,409,347**	92.34%	1,301,579	86.16%	8.28%
Cost of entrusted management services	**53,061**	3.48%	152,313	10.08%	–65.16%
Cost of other businesses	**63,789**	4.18%	56,840	3.76%	12.22%
Total cost of services	**1,526,197**	100.00%	1,510,732	100.00%	1.02%

The purchases from the Group's top five suppliers amounted to RMB162,667,000, accounting for 27.45% of the Group's total amount of purchases.

2. Profit before Interests, Tax and General and Administrative Expenses Note

During the Reporting Period, the Group's profit before interests, tax and general and administrative expenses amounted to RMB1,608,326,000 (2012: RMB1,661,212,000), representing a YOY decrease of 3.18% or a YOY increase of 11.34% after deduction of the Loss from Disposal of Qinglian Class 2 Road Assets. Profits contributed by principal business are as follows:



Note: Profit before interests, tax and general and administrative expenses = total profit + general and administrative expenses + interest expense. This indicator helps the investors understand the Group's sources of profit from the economic activities of various business segments.

(1) Profit before interests, tax and general and administrative expenses from toll highways operated by the Group

◆ Profit

Profit before interests, tax and general and administrative expenses from toll highways operated by the Group for the Reporting Period amounted to RMB1,164,147,000 (2012: RMB1,345,923,000), representing a YOY decrease of 13.51% or a YOY increase of 4.42% after deduction of the Loss from Disposal of Qinglian Class 2 Road Assets. The YOY decrease in profit was mainly attributable to the profit growth of such highways as Qinglian Project, Nanguang Expressway, Yanba Expressway and Yanpai Expressway, which was offset by the combined effect of decreased gross margin of other highways in Shenzhen area caused by the implementation of Standardisation Scheme and Toll Free Scheme on Holidays and the effect of highway construction as well as other factors including diversion by road network and the clearance of toll revenue received during the same period of last year for Wuhuang Expressway. A detailed analysis on the profit is as follows:

	Toll revenue		Cost of traffic services		Gross margin of traffic services		Profit before interests, tax and general and administrative expenses	
Toll Highway	**2013 (RMB'000)**	Change	**2013 (RMB'000)**	Change	**2013**	Change (pct.pt)	**2013 (RMB'000)**	Change (RMB'000)
Meiguan Expressway	**293,125**	-8.53%	**111,795**	9.99%	**61.86%**	-6.42	**174,580**	-33,470
Jihe East	**485,006**	6.88%	**252,625**	11.97%	**47.91%**	-2.37	**216,103**	-3,481
Jihe West	**382,605**	-3.19%	**89,847**	-0.50%	**76.52%**	-0.63	**280,841**	-10,747
Yanba Expressway	**162,038**	14.29%	**98,817**	3.31%	**39.02%**	6.48	**60,820**	19,066
Yanpai Expressway	**197,476**	4.97%	**85,140**	4.98%	**56.89%**	0.00	**106,364**	2,556
Nanguang Expressway	**287,325**	24.86%	**144,717**	23.55%	**49.63%**	0.53	**133,790**	27,837
Qinglian Project (1)	**710,963**	32.35%	**426,246**	16.64%	**40.05%**	8.08	**263,388**	109,272
Wuhuang Expressway (2)	**379,753**	-17.39%	**200,160**	-10.91%	**47.29%**	-3.83	**169,505**	-51,565
Total	**2,898,291**	6.31%	**1,409,347**	8.28%	**51.37%**	-0.89	**1,405,391**	59,468

Management Discussion & Analysis

Section 2 – Financial Analysis

Notes:

(1) Profit before interests, tax and general and administrative expenses of Qinglian Project excluded the effect of the Loss from Disposal of Qinglian Class 2 Road Assets.

(2) The toll revenue of Wuhuang Expressway for 2012 included toll revenue of RMB32,532,000 from the clearance of overlapping mileages with E'dong Bridge from September 2010 to December 2012.

◆ Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB2,898,291,000 (2012: RMB2,726,353,000), representing a YOY increase of 6.31%. During the Reporting Period, the operational performances of toll highway projects of the Group were affected by the combination of such factors as changes of macro-economy, implementation of the policies such as Standardisation Scheme and Toll Free Scheme on Holidays as well as changes in the traffic distribution in the road network, of which the implementation of Standardisation Scheme and Toll Free Scheme on Holidays resulted in a decrease of approximately RMB385,000,000 and RMB136,000,000 in toll revenue of the Group for the Reporting Period respectively, representing a doubled YOY increase in affected amount. For detailed analysis on the operational performance of each project during the Reporting Period, please refer to the content of Section 1 Business Review of this Chapter.

◆ Cost of traffic services

Cost of traffic services for the Group's toll highways recorded a YOY increase of 8.28% to RMB1,409,347,000 (2012: RMB1,301,579,000) for the Reporting Period. The increase was attributable to the corresponding increase in the cost of depreciation and amortisation of the toll highways as a result of the growth in traffic volume and the increase in the employee expenses as a result of the increased number of toll collection staff, the general increase in the payment standard of salaries and benefits and the increased base for payment of social security expenses. On the other hand, there was a YOY decrease in the maintenance expense of the Group's highways for the Reporting Period as the special maintenance expense for Qinglian Class 2 Road decreased YOY and the actual maintenance expense for Jihe East was lower than the budgeted amount.

An analysis on cost of traffic services is as follows:

Cost of traffic services item	**2013 (RMB'000)**	Percentage of total	2012 (RMB'000)	Percentage of total	Change
Employee expenses	**208,615**	14.80%	169,794	13.05%	22.86%
Road maintenance expenses	**89,930**	6.38%	141,878	10.90%	-36.61%
Depreciation and amortisation	**920,410**	65.31%	777,088	59.70%	18.44%
Other business costs	**190,392**	13.51%	212,819	16.35%	-10.54%
Total	**1,409,347**	100.00%	1,301,579	100.00%	8.28%

(2) The investment income from joint ventures and associates

The Group's investment income from joint ventures and associates for the Reporting Period amounted to RMB185,677,000 (2012: RMB129,100,000), representing a YOY increase of 43.82%. As affected by the combination of such factors as the regional economic development, the changes in the traffic distribution in the road network as well as the implementation of the policies such as Standardisation Scheme and Toll Free Scheme on Holidays, the toll revenues of most of joint ventures and associates recorded a YOY growth. The increase in gross margin of such highways as Yangmao Expressway, Nanjing Third Bridge and Changsha Ring Road as a result of the growth in traffic volume and the decrease in borrowing scale and financial costs of some companies also contributed to the more satisfactory YOY increase in investment income of the Group.

A detailed analysis on investment income from joint ventures and associates operating toll highways is as follows:

	Toll revenue		Cost of services		Gross margin		Investment income of the Group Note	
Toll highway	2013 (RMB'000)	Change	2013 (RMB'000)	Change	2013	Change (pct.pt)	2013 (RMB'000)	Change (RMB'000)
Joint ventures:								
Changsha Ring Road	**52,396**	19.86%	**34,118**	-7.33%	**34.89%**	19.11	**13,046**	10,102
Associates:								
Shuiguan Expressway	**473,659**	7.44%	**164,888**	6.30%	**65.19%**	0.37	**61,633**	3,875
Shuiguan Extension	**64,258**	12.93%	**51,684**	17.85%	**19.57%**	-3.36	**-4,309**	782
Yangmao Expressway	**536,230**	10.12%	**190,872**	-8.77%	**64.40%**	7.37	**56,941**	17,445
Guangwu Project	**262,268**	5.17%	**108,985**	4.88%	**58.48%**	0.11	**20,850**	130
Jiangzhong Project	**337,415**	-1.04%	**234,388**	0.84%	**30.53%**	-1.30	**3,061**	2,366
GZ W2 Expressway	**301,044**	15.30%	**139,985**	13.61%	**53.52%**	0.70	**9,660**	6,637
Nanjing Third Bridge	**427,581**	30.61%	**161,191**	17.74%	**62.30%**	4.12	**21,111**	15,027
Total							**181,993**	56,364

Note: Investment income of RMB3,684,000 (2012: RMB3,021,000) from Consulting Company and other investment income of RMB 450,000 for 2012 were not included in the figures of investment income of the Group for the Reporting Period. Details are set out in notes 5(6) and (33) to the Financial Statements.

(3) Profit before interests, tax and general and administrative expenses from other highway-related businesses

◆ Profit from entrusted construction management services

The Group recognised a profit of RMB184,319,000 from the entrusted construction management services for the entrusted construction projects of which the outcome can be estimated reliably, of which profit attributable to the Company amounted to RMB152,964,000. The profit was mainly attributable to the recognition of relevant incomes and costs of the entrusted construction management services based on the estimation of the government's audit results on related service and progress of the projects such as Nanping (Phase II), Coastal Project and Guilong Project. The analysis on the incomes and costs from the entrusted construction management services is as follows:

	Income		Cost		Profit attributable to the Company from the entrusted construction management services	
Entrusted construction management services item	2013 (RMB'000)	Change (RMB'000)	2013 (RMB'000)	Change (RMB'000)	2013 (RMB'000)	Change (RMB'000)
Nanping (Phase I)	**555**	-128,524	**3,357**	-58,426	**-2,821**	-65,767
Nanping (Phase II)	**75,179**	-9,181	**13,658**	-43,219	**57,139**	32,876
Coastal Project	**46,821**	10,960	**18,709**	-3,308	**25,485**	13,435
Guilong Project	**123,123**	113,587	**14,409**	5,210	**73,161**	73,161
Other projects	**2,978**	-14,672	**2,928**	491	**-**	-14,387
Total	**248,656**	-27,830	**53,061**	-99,252	**152,964**	39,318

During the Reporting Period, profit from entrusted construction management services were mainly attributable to the initial recognition of relevant income and cost of Guilong Project based on the agreement and the progress of completion and further recognition and adjustment of relevant income and cost of Nanping (Phase II) based on the actual settlement for part of the contracted section. Details of the entrusted construction management services are set out in notes 5(29)(b)(i) and 7(5)(a)(ii) to the Financial Statements in Chapter X of this annual report.

Management Discussion & Analysis

Section 2 – Financial Analysis

- Profit from entrusted operation management services

  During the Reporting Period, pursuant to the terms of the agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB18,000,000 and a relevant profit of RMB16,990,000 after deducting relevant tax. Details are set out in notes 5(29)(b)(i) and 7(5)(c) to the Financial Statements in Chapter X of this annual report.

- Profit from advertising business

  During the Reporting Period, the advertising business of the Group recorded a profit of RMB35,086,000 (2012: RMB33,209,000) with a YOY increase of 5.65%. It was mainly incurred by a YOY increase of 5.61% of revenue from advertising business for the Reporting Period and a YOY increase of 12.40% in cost of services including amortisation expenses for the use right of advertising spaces. Details are set out in note 5(29)(b) to the Financial Statements in Chapter X of this annual report.

3. General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period amounted to RMB87,531,000 (2012: RMB79,969,000), representing a YOY increase of 9.46%. The increase was mainly attributable to the increased employee expenses due to personnel adjustment and general increase in the base for payment of social security expenses during the Reporting Period.

4. Financial Expenses

The Group's financial expenses for the Reporting Period amounted to RMB582,278,000 (2012: RMB622,418,000), representing a YOY decrease of 6.45%, or a YOY decrease of 5.15% after deducting provisions for maintenance/resurfacing obligations of highways, which was mainly attributable to the decrease in the Group's average borrowing scale during the Reporting Period. For details, please refer to point 1 of "Analysis of Financial Position" and point 3 of "Capital and Financing" below. A detailed analysis on financial expenses is as follows:

Financial expenses item	**2013 (RMB'000)**	2012 (RMB'000)	Change
Interest expenses	**599,086**	619,767	-3.34%
Less: Interest capitalised	**16,968**	9,330	81.87%
Interest income	**24,975**	34,557	-27.73%
Exchange gain/loss and others	**(632)**	(12,151)	-94.80%
Financial expenses excluding time value of provisions for maintenance/resurfacing	**557,775**	588,031	-5.15%
Add: Time value of provisions for maintenance/resurfacing	**24,503**	34,387	-28.74%
Financial expenses	**582,278**	622,418	-6.45%

5. Income Tax Expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB163,411,000 (2012: RMB209,836,000), representing a YOY decrease of 22.12%. Such decrease was mainly attributable to the effect of the provision of deferred tax assets in respect of the Loss from Disposal of Qinglian Class 2 Road Assets during the Reporting Period. Details of the Group's applicable income tax rate and income tax expenses for current year are set out in note 3 and note 5(35) to the Financial Statements in Chapter X of this annual report respectively.

6. Loss from Disposal of Qinglian Class 2 Road Assets

According to the requirements of the relevant documents issued by Guangdong Provincial Transportation Department, Qinglian Class 2 Road operated by Qinglian Company, a subsidiary of the company, ceased toll collection since 24:00 on 30 June 2013. The Group and Qinglian Company have been actively negotiating with relevant government authorities to protect its legal rights and discuss the potential compensation upon the cease of toll collection. Based on current stage of the negotiation, the Group decided to coordinate with government authorities in charge in transfer and takeover of assets, as such, the Group disposed the net book value of relevant assets of Qinglian Class 2 Road as at the end of 2013 pursuant to the requirements of CASBE. The relevant net assets and asset cleanup costs amounting to RMB241,245,000 were included in the non-operating expenses of the Group for 2013 as loss from disposal of assets, which resulted in a corresponding decrease amounting to RMB138,179,000 in the net profit of the Group for 2013. Any potential compensation that would be obtained from any government department or any maintenance obligation that would be assumed by the Group as required by any government department upon transfer of assets will be included in gain or loss for the relevant year if the amount of such compensation or obligation can be estimated reliably after further negotiation and finalisation. The details are set out in notes 5(10) and 8(2) to the Financial Statements in Chapter X of this annual report.

7. Amortisation Policies of Concession Intangible Assets and Differences under 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 reviews on the projected traffic volumes and makes corresponding adjustments to ensure reliability and accuracy of the amortised amount. Details on this accounting policy and accounting estimates are set out in notes 2(17)(a), (29)(a) and (30) to the Financial Statements in Chapter X of this annual 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 amortisation difference under the two methods of amortisation attributable to the Company based on its share of interests was RMB89 million, representing a YOY decrease, of which the amortisation difference of RMB92 million for the year was attributable to Qinglian Expressway which was still in the early stage of its operation. 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. Figures for reference calculated for various toll highways for the Reporting Period are as follows:

	Amortised amount of operating rights (RMB million)			Amortisation difference attributable to the Company based on its share of interests (RMB million)	
Toll highway	**Units-of-usage method 2013**	Units-of-usage method 2012	Straight-line method [1]	**2013**	2012
Meiguan Expressway [2]	**59**	51	42	**17**	13
Jihe East	**201**	165	155	**46**	10
Jihe West	**47**	42	28	**19**	14
Yanpai Expressway	**49**	44	47	**2**	-3
Yanba Expressway	**55**	46	69	**-14**	-23
Nanguang Expressway	**70**	47	100	**-30**	-53
Qinglian Expressway	**246**	177	367	**-92**	-145
Wuhuang Expressway	**95**	100	89	**3**	6
Changsha Ring Road	**13**	11	18	**-3**	-4
Shuiguan Expressway	**77**	71	110	**-13**	-16
Shuiguan Extension	**30**	24	24	**2**	-
Yangmao Expressway	**74**	91	90	**-4**	1
Guangwu Project	**47**	68	57	**-3**	3
Jiangzhong Project	**117**	120	136	**-5**	-4
GZ W2 Expressway	**67**	56	111	**-11**	-14
Nanjing Third Bridge	**99**	76	111	**-3**	-9
Total				**-89**	-224

Notes:

(1) Assuming the book values of the intangible assets are amortised evenly over the allowed operating periods granted by the concession grantors.

(2) As the expansion of Meiguan Expressway was completed on 30 November 2013, the amortised amount calculated by the straight-line method was re-calculated accordingly.

Management Discussion & Analysis

Section 2 – Financial Analysis

II. Analysis of Financial Position

1. Assets, Liabilities and Equity

The Group's financial position remains solid, and its assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which account for 84.22% of its total assets, and cash at bank and on hand and other assets accounts for 4.79% and 10.99% of its total assets respectively. As at 31 December 2013, the Group's total assets amounted to RMB22,840,107,000 (31 December 2012: RMB24,209,125,000), representing a YOY decrease of 5.65%. The decrease was mainly attributable to repayment of due liabilities, amortisation of concession intangible assets, disposal of relevant assets of Qinglian Class 2 Road and depreciation of fixed assets.

The analysis of the main items of assets and liabilities of the Group are as follows:

Items	**As at 31 December 2013 (RMB'000)**	Percentage of total assets	As at 31 December 2012 (RMB'000)	Percentage of total assets	Change
Cash at bank and on hand	**1,094,797**	4.79%	1,956,056	8.08%	-44.03%
Long-term equity investments	**1,604,384**	7.02%	1,653,743	6.83%	-2.98%
Intangible assets	**17,756,263**	77.74%	18,636,247	76.98%	-4.72%
Current portion of non-current liabilities	**620,327**	2.72%	2,538,991	10.49%	-75.57%
Long-term borrowings	**5,257,014**	23.02%	5,217,739	21.55%	0.75%
Bonds payable	**3,088,802**	13.52%	3,081,681	12.73%	0.23%

Reasons for the YOY change in the items of assets and liabilities during the Reporting Period over 30% are set out in the Supplementary Information 3 to the Financial Statements in Chapter X of this annual report.

As at 31 December 2013, the Group's total equity amounted to RMB11,238,986,000 (31 December 2012: RMB10,872,916,000), representing an increase of 3.37% over the end of 2012. This was mainly attributable to the increase of net profit for the Reporting Period and the deduction of dividend distributed for 2012.

As at 31 December 2013, outstanding bonds payable and borrowings of the Group amounted to RMB 9,297,563,000 (31 December 2012: RMB10,563,618,000), representing a decrease of 11.99% over the end of 2012, of which Qinglian Project utilised the borrowings of RMB5.65 billion. The decrease was mainly attributable to the repayment of due bonds.

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB281,617,000 worth of foreign currency-denominated monetary liabilities in HK$, while RMB1,202,000 and RMB95,000 worth of foreign currency denominated monetary assets were in HK$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. The Company has arranged the financial instrument of "Non-Deliverable Gross Currency Swap" for a loan of HK$420 million with a maturity period of five years to lock up its risks in change of interest rate and exchange rate. As at the end of the Reporting Period, the outstanding principal of such loan was HK$336 million (equivalent to approximately RMB264 million). For details thereof, please refer to note 5(24) to the Financial Statements in Chapter X of this annual report. The aforesaid derivative financial liabilities measured in fair value and the change in fair value during the Reporting Period are as follows:

Types of investment	Sources of funding	Contracting party	Amounts of the investment	Investment period	Product type	Expected gains	Gains and losses from investments (change in fair values during the Period) (RMB'000)	Whether involved in litigation
Derivative	Self-owned	Industrial and Commercial Bank of China (Asia) Limited	HK$420 million	2010.4-2014.9	Non-deliverable gross currency swap	N/A	8,605	No

2. 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, owing to the increase in the Group's profit and the decrease in the size of aggregate borrowings subsequent to the repayment of due bonds, both the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group decreased YOY as at the end of the Reporting Period, and the interest covered multiple and EBITDA interest multiple increased. 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.

	31 December 2013	31 December 2012
Debt-to-asset ratio (Total liabilities / Total assets)	**50.79%**	55.09%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents) / Total equity)	**73.03%**	79.18%
	Jan-Dec 2013	Jan-Dec 2012
Interest covered multiple (Profit before tax + interest expenses/interest expenses)	**2.44**	2.42
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/interest expenses)	**3.98**	3.66

3. Liquidity and Cash Management

	31 December 2013 (RMB million)	31 December 2012 (RMB million)	Change (RMB million)
Net current assets / (Net current liabilities)	**3**	(1,185)	+1,188
Cash and cash equivalents	**1,090**	1,954	-864
Banking facilities available	**6,031**	5,899	+132

During the Reporting Period, as a result of relatively large scale of total liabilities and great pressure from short-term repayment, the Group continued to improve its debt structure through related financing arrangements to reduce the pressure from current liabilities, strengthen the capital arrangement on subsidiaries and major projects, appropriately increase its cash on hand and maintain sufficient banking facilities so as to prevent the liquidity risk. During the Reporting Period, the Group repaid due medium-term notes and corporate bonds on time, the pressure from short-term repayment hence decreased significantly. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amounts applied to investment in securities or entrusted management.

4. Contingencies

Details on the Group's contingencies during the Reporting Period are set out in note 8 to the Financial Statements in Chapter X of this annual report.

Management Discussion & Analysis

Section 2 – Financial Analysis

III. Capital and Financing

1. Capital Expenditure

During the Reporting Period, the Group's capital expenditures mainly comprised the remaining construction investments and settlements of projects such as the reconstruction into an expressway for Qinglian Class 1 Highway and Nanguang Expressway, and the reconstruction and expansion for Meiguan Expressway, totaling approximately RMB644 million. The investments in major projects are as follows:

Project name	Project amount (RMB million)	Project progress	Amount invested during the Period (RMB'000)	Accumulated amount actually invested (RMB'000)	Gains from the project
Nanguang Expressway	3,145	99%[Note]	28,035	3,053,920	For details of the operational performance of related projects during the Reporting Period, please refer to "Analysis of Operating Results" above.
Qinglian Project	6,131	100%	241,450	5,943,262	
Reconstruction and expansion for Meiguan Expressway	708	100%	246,292	545,334	

Note: Nanguang Expressway was opened for operation in 2008. The remaining works were postponed as results of the change in design of Nanping (Phase II). It is planned to be completed in 2014.

As at 31 December 2013, the Group's capital expenditure plan mainly comprised the expenses on the projects as mentioned above. The Group's capital expenditure will be expected to be approximately RMB630 million by the end of 2016. 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 currently are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan 2014-2016 for the Group (Unit: RMB'000)

Project name	2014	2015	2016	Total
Reconstruction and expansion for Meiguan Expressway	123,860	–	38,306	162,166
Qinglian Project	174,310	13,618	–	187,928
Nanguang Expressway	80,890	10,390	–	91,280
Other Projects (Investment in electrical equipments, etc.)	188,550	–	–	188,550
Total	567,610	24,008	38,306	629,924

2. Cash Flow

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 cash flows of the Group are listed as follows:

	2013 (RMB'000)	2012 (RMB'000)	Change
Net cash flows from operating activities	**1,761,225**	1,530,655	15.06%
Net cash flows from investing activities	**(505,055)**	(428,056)	17.99%
Net cash flows from financing activities	**(2,121,387)**	(1,315,954)	61.21%

Benefited from the increase of toll revenue of the Group and profit distribution of the Group's investee companies, the Group's net cash inflows from operating activities and cash return on investments [Note] totaled RMB1,853,843,000 (2012: RMB1,616,776,000) during the Reporting Period, representing a YOY growth of 14.66%. During the Reporting Period, capital expenditures increased and the net cash outflows from investing activities recorded a YOY increase of 17.99%. The Group repaid due liabilities, and implemented related financing arrangements and debt restructuring, resulting in a YOY increase of the net cash outflows from financing activities of 61.21% during the Reporting Period.

Note: The aggregated amount of 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.

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 our recurring cash flow from the operating and investing activities.

3. Financial Strategies and Financing Arrangements

During the Reporting Period, external financial conditions became more volatile, resulting in tighter liquidity and credit size in the market in the second half of the year. During the Reporting Period, the Company has made a financing and fund arrangement in advance based on its actual need and financial condition. On the basis of ensuring duly repayment of due liabilities and safety of liquidity, the Company has actively pursued the best financing condition and interest rate, and raised the efficiency of the Group's use of capital and lower the consolidated capital costs by strengthening the overall planning of the Group's internal capital. In addition, the Company continuously monitored the condition of the capital market, studied various channels, types and schemes of financing and will use them when appropriate in order to continuously improve our debt structure.

The Group's composite borrowing costs for the Reporting Period amounted to 5.84% (2012: 5.75%), which was 0.09 percentage point slightly higher than that in 2012. 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 Group's borrowings comprised mainly medium to long-term bank loans and bonds. The specific borrowing structure of the Group is shown as follows:

During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises. The follow-up debt credit ratings of the issued enterprise bonds and corporate bonds were maintained at their original ratings of AAA or AA+.

As at 31 December 2013, the Group had obtained a total of RMB14.4 billion of banking facilities, including RMB8.6 billion of credit facilities specifically for projects under construction and RMB5.8 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB6.0 billion, of which RMB1.06 billion was credit facilities specifically for projects under construction and RMB4.94 billion was general credit facilities.

Management Discussion & Analysis

Section 2 – Financial Analysis

IV. Changes in Accounting Policies and Accounting Estimates

1. Changes in Accounting Policies

In early 2014, Ministry of Finance successively issued five new/revised accounting standards which would be effected from 1 July 2014 for all enterprises complying with Accounting Standards for Business Enterprises, while overseas-listed enterprises' early adoption is encouraged. Since the Company is an A share and H share listed company, the above standards have been early adopted when preparing the financial statements for the year ended 31 December. When adopting the above standards, 'other comprehensive income' has been further distinguished to 'Item that may be reclassified subsequently to profit and loss' and ''Item that cannot be reclassified subsequently to profit and loss''. The comparative figures of 'other comprehensive income' were also adjusted accordingly and resulted to rare impacts to the Group's financial status and operating results for the year 2013 as well as them of the comparative periods. For detail information on the changes in accounting policies please refer to Note 2 to the Financial Statements in Chapter X of this annual report.

2. Changes in Accounting Estimates

In compliance with the requirements of the accounting principles and relevant accounting policies of the Company and based on the results of the review on the traffic flow and a revised study on the future traffic flow of the major toll highways of the Company and its subsidiaries, the Company has made adjustments to the amortisation of concession intangible assets per unit of Nanguang Expressway, Yanba Expressway and Qinglian Expressway since 1 July 2013. These adjustments represented the changes in accounting estimates on a prospective basis. For details, please refer to the announcements of the Company on the resolution of the Board and the changes in accounting estimates dated 16 August 2013. The change in accounting estimates resulted in the increase of the net profit attributable to owners of the Company for 2013, the total asset as at 31 December 2013 and the equity attributable to owners of the Company as at 31 December 2013 by approximately RMB12,145,000, RMB23,077,000 and RMB12,145,000 respectively, which had no material effect on the Group's financial position and operating results.

V. Changes in the Scope of Consolidated Financial Statements

During the Reporting Period, Guishen Company, a subsidiary of the Company, established wholly-owned subsidiaries, namely Property Company, Shengbo Company, Pengbo Company, Yuelong Company. Accordingly, the financial statements of the four companies were included into the scope of the Group's consolidated financial statements. The registered capital of each of newly established company was RMB1,000,000 and each of the indirect shareholding of the Company in those companies was 70%.

VI. Particulars of Major Subsidiaries and Participating Companies

Units: RMB'000 unless otherwise stated

			31 December 2013			2013		
Company name	Percentage of interests held by the Group	Registered capital (in thousands)	**Total assets**	**Net assets**	**Revenue**	**Operating profit**	**Net profit/ (Net loss)**	Principal business
Meiguan Company	100%	332,400	**1,386,510**	**633,303**	**293,460**	**172,892**	**132,039**	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	**2,515,845**	**1,798,129**	**486,447**	**211,979**	**157,503**	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK$795,381	**1,165,930**	**1,122,141**	**–**	**4,534**	**4,534**	Indirectly holding 25% interests in Qinglian Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,105,960	**9,091,355**	**2,857,972**	**714,485**	**(77,275)**	**(240,193)**	Construction, operation and management of Qinglian Expressway and Qinglian Class 2 Road and auxiliary facilities
JEL Company/ Magerk Company	55%	US$28,000	**1,087,061**	**907,457**	**380,866**	**170,094**	**127,837**	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	40%	324,000	**2,233,784**	**378,302**	**479,577**	**205,740**	**156,483**	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	**1,024,967**	**629,618**	**123,733**	**93,424**	**60,786**	Investment in industries and project construction

During the Reporting Period, subject to the implementation of Standardisation Scheme and Toll Free Scheme on Holidays, and the effect on the traffic volume and toll revenue from the reconstruction and expansion for the North Section of Meiguan Expressway, the net profit of Meiguan Company recorded a YOY decrease of 16.02%; after deducting the effect of the Loss from Disposal of Qinglian Class 2 Road Assets, the loss of Qinglian Company recorded a YOY decrease of 57.46%. That was mainly attributable to the significant YOY increase in toll revenue resulting from overhaul and diversion of Leiyi Section of G4 National Expressway and the improvement of surrounding networks. Investment Company recognised the entrusted construction management revenue of the Guilong Project with YOY increase in net profit. For the operational and financial performance of the major subsidiaries and participating companies mentioned above during the Reporting Period, please refer to Section 1 Business Review of this Chapter and other relevant parts of this section.

Management Discussion & Analysis

Section 3 – Risk Management

The Company has formulated the Uniform Procedures for Risk Control Management and the Rules of Financial Risks Warning Management, actively and systematically identified, assessed and responded to risk issues arising from the operational process and gradually apply risk management to all segments of the Company, including corporate strategies, planning, decision-making and operations. For details of the operation and management of the risk management system of the Company, please refer to Section 2 Internal Control in Chapter IX of this annual report.

During the year of 2013, the Company focused on internal and external risk issues such as Policy, Market, Business Expansion and Investment, Financial, Operation and Construction Management.

I. Policy Risks

Risk analysis and risk position

During recent years, the external operating environment of the toll highway industry has undergone major transitions and changes, so industry policies tightened. In 2013, the negative impact of the Standardisation Scheme implemented in Guangdong Province and the Toll Free Scheme on Holidays implemented across the country persisted and was extended to affect the entire year. The Green Passage Toll Free Policy and Peak-hour Occasional Free Pass Policy continued to be implemented, bringing negative impact to the toll revenue and profits of the Company. In the meantime, it exerted greater pressure on smooth traffic of roads and operation and management costs.

According to the subsequent review result of the specific clean-up work for toll highways carried out nationwide since 2011, there have been further proposed adjustment measures in some of the regions. During the year, Hubei Provincial Price Bureau issued an announcement about holding a hearing on lowering toll fees of 2 toll highway projects, including Wuhuang Expressway. The Guangdong Provincial Communication Department issued a notice that the toll collection of 31 road and bridge projects in Guangdong Province including Qinglian Class 2 Road has been cancelled since midnight on 30 June 2013. In addition, the toll collection period of Yanba Expressway is pending approval. If the result of approval falls short of the Company's expectation, the valuation of the project and the investment income of the Group in the future will be affected.

The provincial-wide inter-network toll collection in Guangdong Province is being implemented. The expressway projects in the province are required to implement toll-by-weight policy and complete the upgrade of the hardware and software of toll collection system before the deadline. In addition, according to the related regulations on road and traffic safety management of Shenzhen, there is a need to improve facilities such as lighting and supervision system of the relevant highways of the Company. The above policies will increase the investment and operational costs of the Company and exert greater pressure on management and coordination.

Risk management and response measures

During the year, the Group took the following measures in response to the policy changes in an attempt to mitigate the negative impact arising therefrom as possible:

- Summarisation of management experience to continue to improve the contingency fee management model characterised by peak-hour traffic divergence and emergency response, enhancing the sophistication of toll site management model to ensure a smooth and orderly operation of each road and key toll stations during holidays. During the year, there was no free pass as a result of traffic congestion during peak hours.

- Actively promotes to target clients the impact on travel costs caused by the adjustment in toll fees, conducts marketing activities with the focus on the advantages of the road network, enhances promotional and guidance work to attract traffic.

- With detailed analysis on the actual operation needs, and the Company formulates, compares and selects suitable implementation plans for inter-network renovation and traffic safety facilities renovation. The Company aims to minimise investment costs on the basis of satisfying policy requirements and the business needs of the Company.

- Coordinated with authorities of the government through various possible ways to earn their understanding and support. Currently, the toll fee hearing of Wuhuang Expressway has not been convened. In addition, the Group has disposed the book value of the related assets of Qinglian Class 2 Road in accordance with the relevant requirements of CASBE subject to the actual progress of work. This incurred a one-off loss for this year, but it is expected that there will not bring a material negative impact on the traffic volume and the value of Qinglian Expressway. Since road property transfer and the coordination with authorities of the government is still in progress, there is no reliable estimation on the economic compensation that may be granted by government authorities and/or maintenance obligation of which government authorities may request Qinglian Company to perform due to the cancellation of toll collection of Qinglian Class 2 Road. The Company will keep a close eye on the subsequent progress and impact of the relevant work on an ongoing basis.

- Through active and effective coordination, the operation period for Yanba Expressway was approved by Guangdong Provincial Government to be 25 years, calculated from the date on which each of Section A, B and C of Yanba commences and charges. For the basics of the toll highway projects, please refer to Chapter XI of this annual report.

II. Market Risks

Risk analysis and risk position

The enhancement of highway network, the renovation of surrounding roads, the construction of the project itself and implementation of traffic organisation plans by the government will lead to changes in the distribution of traffic within the road network, and thus may bring positive or negative impact on the performance of the toll highway project. Although the Company has made advanced study, reasonable prediction and response measures, it might be possible for the projects or even the Group not to achieve the desired operational performance, if deviation between the actual progress of the relevant projects or impact on traffic volume and the predictionexists. For the impacts of the changes on the road networks, please refer to Section 1 Business Review above.

Risk management and response measures

The Group continued to keep an eye on the changes of road networks within the region, for example, enhanced municipal road networks, implementation of traffic organisation plans by the government and the commencement of traffic of the parallel routes. The Group timely analysed the impacts on its projects and formulated targeted marketing measures and promoted the advantages of road networks through various means to attract traffic.

During the year, the expansion works for Meiguan Expressway and the maintenance works for Jihe West has affected to a certain extent the traffic condition of the relevant roads. In view of this, the Group has formulated an emergency plan to prevent traffic congestion, optimised the construction and traffic organisation plan of the projects and strengthened the safety management and traffic diversion in the construction sites so as to minimise the impact of the construction on the traffic capacity and operational performance.

To cope with the restricted access measure on heavy freight vehicles as a result of the expansion work of Guangqing Expressway, through the communication between the Government and the project companies, the Group adopted reasonable methods to facilitate the progress of the works. Surveys and studies on neighboring road networks have been conducted to seek for alternative routes and drivers' guides have been distributed to divert traffic flows. Meanwhile, we have enhanced the competitiveness of the Qinglian Project with fine services.

The commencement of operation of Han'e Expressway, the full opening of Hurong National Expressway, as well as further implementation of traffic control measures in Wuhan area, have hampered the overall performance of Wuhuang Expressway in 2013. The Group will keep a close eye on the traffic distribution trend of the road network and seek to attract traffic flow and lower the impact of traffic divergence by promoting their advantageous price and increasing the number of road signs.

III. Business Expansion Risks

Risk analysis and risk position

Based on its experience in entrusted construction business, the Group carried out Guilong Project through Guishen Company as a platform, and participated in the regional road construction and development by BT Mode. Moreover, in order to reduce the risk of funds recovery and generate the expected revenue, Guishen Company participated in the bid for the land within the development area of Guilong Project, and was approved to conduct further land development on our own with an area of 300 mu (equivalent to approximately 200,000 square meters). The amount of funds recovered and revenues from the project will depend on the transfer of relevant parcels of land and the realisation of its value. If the entrusting party fails to obtain the land index as planned, or there shall occurs matters such as material changes in the State's land and property management policies or arrangement and conditions for land transfer and market environment, the revenue of the project and the safety of the capital would be affected.

Also, as there were differences between the business model of the BT business and related land development and that of the toll highway business, if the Group's capability on capturing the market opportunities, business experience, management model and human resources fail to bridge the difference, the expansion into new business and the overall performance of the Group may be affected.

Management Discussion & Analysis

Section 3 – Risk Management

Risk management and response measures

With reference to the characteristics of the projects and the Company itself, the Group conducted in-depth study and research on key areas such as how to reduce risk of fund recovery effectively and realise the return on investment in a timely manner, and adopted various measures, through Investment Company and Guishen Company, with a view to effectively control such risks:

◆ Closely tracked the update of policies and regulations. Fully estimate the impact of relevant factors and take possible response measures.

◆ Maintained active and effective communication with all parties and assisted the local government in the finalisation of land use index. Meanwhile, we managed the construction progress of the projects, actively continued our land transfer and relevant works and closely followed up each step of the examination and approval procedures for fund recovery so to ensure the timely return of funds. During the year, Guishen Company also optimised the payment arrangement of projects through negotiation, further reducing the fund recovery risk.

◆ Prudently examined the market conditions and future trends to make reasonable arrangement for land development and adopted a progressive development strategy so to reduce the scale of capital investment and the overall risk,and adjusted of investment strategies and product development direction was also made based on policies and market changes in time. Meanwhile, we actively explored the channels and methods to realise the value of the remaining land.

◆ In respect of secondary land development, we provided management and protection for the organisation through various measures, such as strengthening the training of the project management team, appointing senior professionals as management consultants and engaging experienced professional institutions to conduct market research, as well as project positioning and planning. At the same time, we focused more on strengthening the accounting and control of costs of the projects, and improved the financing arrangement plan and budget management to control financial risks. In addition, under enhanced collaboration with the developers in the same region, synergy effect was achieved among our clients and products. We mutually promoted the regional value accordingly.

IV. Investment Risk

Risk analysis and risk position

Taking into consideration of the general development plan of economy and traffic, the Shenzhen Government intended to adjust the toll of Meiguan Expressway and held several rounds of discussion and negotiation with the Company. But no specific plan has been finalised. The reasonableness of the related arrangements and the smoothness of the implementation would affect to a certain extent the realisation of investment income and the management target of the Company. Moreover, the Company has a pre-emptive right for the development of Outer Ring Expressway. However, the project requires a large scale of investment and a long return period, of which the return may not meet the Company's expectation, and has uncertainty of increased financial risks to the Company.

Risk management and response measures

On 27 January 2014, the Group signed the "Agreement on the Toll Adjustment and Compensation and the Transfer of Assets Regarding Meiguan Expressway (《梅觀高速公路調整收費補償及資產移交協議》)" with the relevant government authorities after a due estimation and several rounds of negotiation. For the relevant details, please refer to the announcement issued by the Company on the date on which the Agreement was signed and point 21 of Chapter VI in this annual report. The Group will receive a compensation which is reasonable in the prevailing market under this toll adjustment arrangement, which would be beneficial to the overall social and economic development and progress along the route connecting the expressway, and achieved a win-win situation for the benefits of each party. However the agreement is still subject to the shareholders' approval of the Company and the approval from the Shenzhen Government, and part of the compensation shall be confirmed after auditing by the Government. A large portion of the compensation is on long payment term, which creats a certain extent of uncertainty to the compensation. A close following up and sound communication with the Government will be maintained to ensure a due performance under the agreement.

During the year, the Company had several rounds of discussion and negotiation with the relevant government authorities in relation to the Shenzhen Outer Ring Expressway to explore and study various solutions in investment, construction and management of the project. But no specific investment plan for the project has been finalised up to the date. The Company will continue to actively negotiate with various parties to make efforts to achieve a win-win situation for the benefits of the Company, the Shareholders, the Public and the Government.

V. Financial Risks

Risk analysis and risk position

In 2013, due to payment for 1.5 billion worth of the Company's bonds upon maturity, along with the centralised payment of the settlement of Qinglian Company's construction and the capital requirements of expanding the Company's business, the Group's pressure of the turnover of capital increased. Affected by the industry policies, credit capital usage restriction and the concentration of repayment of loans, the Group was facing a greater challenge in loan financing and a greater risk in the increased financial costs. In addition, Qinglian Company and the investment company were subject to restriction of their own financial status and industry, so it became more difficult to arrange financing and control costs, and created greater demand towards the overall financing arrangement of the Group.

Risk management and response measures

In 2013, the monetary policy remained relatively sound. Affected by the reduced market liquidity, the interest rate of the second half of the year increased at a faster pace. Although there were still a number of restrictions on the usage of credit capitals, evaluation on the toll highway industry by banks resumed positive gradually. Regarding the external financing environment and its own condition, the Company continued to adopt a relatively sound financial strategy to control the risks with effective measures:

◆ To maintain close communication with several banks and commercial institutions, studied finance replacement scheme of various forms and terms that ensured the duly repayment of due bonds and facilitated subsequent financing reserves and lowered financial costs of the Group.

◆ To continuously keep track of various types of financing, prepare various financing plans, review on the external financing environment and the requirements of internal capital to timely replenish funding gap, plan to raise fund for duly repayment of other due liabilities.

◆ To regularly calculate relevant indicators to regulate risk level, strengthen dynamic management and control on the cash flow of the Group's major projects and funding plans of its subsidiaries, enhance the efficiency use of the funds and avoid the risk of turnover of capital.

◆ To maintain the goodwill of the Company, and moderate scale of credit limit. As at the end of the Reporting Period, the unutilised banking facilities available for the Group amounted to RMB6.0 billion of which Investment Company received specialised credit limit of RMB800 million. The credit rating for the Group's loan corporates was rated AAA, each debt credit ratings also remained at the higher level.

VI. Operation Management Risks

Risk analysis and risk position

The promotion of the Inter-network Toll Collection for the expressways in Guangdong Province called for a higher standard on the quality of network communication, stability and response capability of the computer system and accuracy and timeliness of data division and the bank settlement system. Moreover, upon the expansion of the toll collection network, the extent and degree of the seriousness of such toll evading incidents as gate crashing and fake cards and free pass as a result of improper management have increased, resulting in a higher possibility of decrease of toll income.

Risk management and response measures

In order to address the business management risk brought by the Inter-network Toll Collection, the Company established a communication mechanism with the competent transport department, commodity price department, various toll highway operators in the road network, management organisation for the Inter-network Toll Collection and banks, actively coordinated the issues relating to Inter-network Toll Collection and timely discovered and solved the irregularities. Meanwhile, the stability of the system is enhanced through the reinforcement of daily maintenance of the mechanical and electrical equipment, timely troubleshooting and upgrade of ageing equipment. In its effort to minimise the loss of toll, the Company formulated a remedial action plan with clear targets and carried out specific actions against toll evading incidents through analysis of their motives and forms, and also established a database and data sharing within the road network in this regard.

Management Discussion & Analysis

Section 3 – Risk Management

VII. Road Construction Management Risks

Risk analysis and risk position

As affected by various factors such as price fluctuation of the construction materials, tightening standards and increasing difficulties relating to land requisition, demolition and relocation, changes in design, issue of new policies and technological specifications, and changes of development plan by the government, both self-owned and entrusted construction projects of the Company may face the risk of cost increase and delay of construction schedules. As the construction work progresses in 2013, the management of the construction schedule becomes more important. The overall progress of North Section of Meiguan Expressway may fall behind as affected by land requisition, demolition and relocation as well as supervision and inspection of large-scale equipment; and there will be a greater risk in terms of progress and cost control due to the simultaneous construction of the road surface and its auxiliary constructions of the Coastal Project, and also the influence of the approval procedure of the land for construction of the management centre. In addition, it is expect that the cumulative amount of raw material adjustment and changes in projects will be relatively large in Coastal Project, if such amount is not included in the investment control value, or the result of the government's examination failed to meet the Company's expectation, it would cause more uncertainties to the Company in estimating and realising its entrusted construction revenues.

Risk management and response measures

According to the construction features and management requirements of various construction projects, the construction management department sorted out the project focuses and difficulties, reasonably optimised the project design, strictly performed the contracts, implemented various management and inspection systems as well as incentives and penalties and refined and improved the measured payment control measures in order to achieve the dynamic cost control and management objectives. During the year, the expansion for North Section of Meiguan Expressway and constructions of Coastal Expressway have been completed as scheduled. The Company will sustain active and effective communication with the relevant government authorities in order to complete the approval and auditing procedures for the related budget and settlement matters as soon as possible to minimise the risks of uncertainties of the settlement of the entrusted construction revenues.

Management Discussion & Analysis

Section 4 – Outlook and Plans

I. Analysis on Operating Environment

The Central Economic Work Conference (中央經濟工作會議) has specified the fundamental direction of the PRC economic work in 2014, "Progressing in Stability, Reforming with Innovation", which will maintain the continuity and stability of its macro-economic policies, fully enhance the reforms, actively boost its domestic demand, accelerate the changes of economic development and promote a sustainable and healthy growth of the economy. It is expected that the economy of China will progress steadily in 2014 under the macro-economic control of the central government. Moreover, with the progress of urbanisation, the transition and upgrade of regional economy and the benefits from the higher car ownership, the domestic highway traffic demand will maintain a relatively steady growth in the future. However, the slow recovery of global economy, the downside pressure on economy, the uncertainty of new growth drivers, the changes in international trade and investment and monetary policies as well as the uncertainties of the outcome of the transition and upgrade of domestic economic structure and the future reform of the economic system will increase the uncertainties of the traffic volume and toll revenue growth of the toll highway projects of the Group and put higher pressure on cost control and financing.

Economic growth drives the development of transportation infrastructure. Different modes of transportation offer diversified options for different groups. This does not only encourage the public's desire for travelling, but also changes the competition pattern that the toll highway industry faces in their operation. Although the Group's toll highway projects were not directly challenged by the commencement of the high speed railway generally, the travelling or transportation ways will possibly undergo changes with the expanding and maturing high speed railway network, bringing a positive or negative impact on the toll highway industry and specific projects.

Economic growth pushes up the costs of such production essentials as land, materials and labour. In addition, the introduction of new industry standards by the government authorities from time to time also imposes more cost pressure on the investment and construction, maintenance and repair works and daily operation of the toll highway industry. In particular, for the newly built toll highways, their overall yields showed a downward trend caused by the rising costs of land requisition, demolition and relocation as well as construction.

In recent years, the introduction and change in policies continue to put pressure on and bring challenges to the toll highway industry. Other than the government's implementation of respective policies such as Green Passage Toll Free Policy and Toll Free Scheme on Holidays, the specific clean-up work has also been carried out nationwide since 2011 which required certain projects to lower the toll fees, shorten the operation period or cease toll collection. In 2014, the negative impact brought by the issued policies is becoming stable and clear. For the detailed impact and analysis of the related policies, please refer to Section I to III of this Chapter. The industrial policies will not be subject to material changes according to the planning of the national road network and the scale of toll highway industry. In the first half of 2013, Ministry of Transport issued the draft amendments to the Regulation on the Administration of Toll Highways to seek comments from the public on the changes and supplements relating to the investment and operation of highways. The relevant amendments and arrangements should foster the standardised management and long-term growth of the industry, but the draft has not been finalised yet. Therefore, some relatively great uncertainties of the management policies and principles in the development of the industry still exist.

Based on the holistic consideration of the planning of the economic and transportation development, Shenzhen City intends to adjust the toll of Meiguan Expressway in order to reduce the travelling costs of the citizens and the logistics costs of the corporates and optimise the regional function and industry pattern of the city. The Company has conducted an in-depth research and negotiation on relevant matters with the local government and finally reached a consensus in compliance with the market framework and subject to the final approval of the shareholders of the Company and Shenzhen government. For details, please refer to the announcement of the Company dated 27 January 2014 and point 21 of Chapter VI of this annual report. Upon the toll adjustment of Meiguan Expressway, the pressure on management and the operation risks of the Group will be reduced to a certain extent, but this will also trigger market's concern over the room for development of the Company's principle business. The toll adjustment of Meiguan Expressway by the government, subject to the necessity and urgency, requires the support of a number of major conditions such as financial resources and the pattern may not be simply duplicated. In addition, as society and economy develops, the Company has been actively seeking for new modes of industrial development with the authorities in recent years to achieve a balanced and sustainable growth. Currently, the Company has participated in the construction and management of Coastal Project through entrusted management. It is also negotiating with the government on the investment mode and plans of Outer Ring Expressway, including but not limited to cooperative construction, obtaining the operation rights through evaluating the project value and entrusted management. Such arrangements enable the Company to gain reasonable income and returns leveraging on its ample experience and expertise provided that its investment risks can be reduced. However, regarding the projects invested or dominantly invested by the government, the source of profit and expected return pattern will vary due to their charitable feature which is more outstanding by nature. The Company will maintain close communication with the government to keep an eye on the possible changes of the operating environment and respond timely in order to protect its interests.

Management Discussion & Analysis

Section 4 – Outlook and Plans

Recently, the Company has actively explored and tried businesses relating to the toll highway business and our core business amid the changes of operating environment. The Company held lands with commercial value for development through Guishen Company, and was allowed to launch further development on certain lands. Therefore, the Group's businesses may also be affected by related policies on land and property management of the country, and exposed to certain market and operating risks in the new business accordingly. The Company will keep a close eye on the policy updates, keep in touch with the government authorities and timely adjust its operating strategies in line with the market conditions. Meanwhile, in order to minimise and manage the risks, the Company strictly monitors the investment scale, adopts progressive development strategy, accelerates the turnover of capital and establishes a management mechanism for the development of new businesses.

In 2014, the Central government continues to implement progressive financial policies and stable monetary policies. It is expected that the overall credit expenditure will be relatively strict and the credit usage and period will still be subject to supervision while the marketisation of the interest rates will be further promoted. The Company will understand the credit policies and market environment, identify and figure out various new policies and risks, address targeted measures and advice, process reasonable financing arrangements and lower its costs in a timely manner. In 2014, it is expected that the average year-on-year borrowing scale and the financial cost of the Group will be lower than those of 2013.

II. Analysis on Operating Conditions

If the toll adjustment proposal of Meiguan Expressway is approved and effective, it is expected that the disposal of assets of the Group in 2014 will increase by approximately RMB1.1 billion, and the net assets will accordingly increase by approximately RMB1.1 billion. *(Note: The above data is only the result of preliminary estimation, and the changes will be recognised when it occurs and confirmed upon the audit performed by the auditor of the Company.)* Besides, after the adjustment, the compensation income obtained may either accordingly reduce the interest expenditure or increase the interest income of the Group in the upcoming periods. Meanwhile, the toll free section will no longer contribute toll revenue for the Group, and thus the income of the Group in the upcoming periods will also be reduced accordingly, which is expected that such changes will not bring material impact on the overall business performance of the Group. Provided that the future income can be reasonably predicted, the Group may realise its potential income at one time to obtain cash assets, so as to lower the overall liability of the Group, improve its financial status and enhance the capability and room for sustainable development in the future.

In 2013, the projects such as Boshen Expressway, Coastal Expressway, Phase II of Qingping Expressway in Shenzhen and its neighbouring areas were completed and operated in succession, affecting the traffic distribution and composition in the road network of Shenzhen region. The New Terminal of Shenzhen Airport was opened since November 2013, bringing up the traffic volume of Jihe Expressway and Nanguang Expressway. The above effects will continue to exist or become more obvious in 2014, further affecting the operational performance of the toll highway projects operated and invested by the Group in Shenzhen regions. The toll adjustment of Meiguan Expressway is expected to stimulate operational performance of the connected roads.

According to the public information currently available, Guangle Expressway (Guangzhou – Lechang, in Guangdong), G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway) Dual-line is scheduled to open to traffic in October 2014, and Erguang Expressway Yongzhou, Hunan to Lianzhou, Guangdong section is also scheduled to be completed by the end of 2014. Guangle Expressway is in close proximity to G4 National Expressway (Guangdong Section), and its main function is to divert the increasingly congested traffic of the latter and to ease the problem of traffic congestion and low traffic capacity. However, as the layout and function of Guangle Expressway is basically similar to that of Qinglian Expressway, it is expected to have certain diversion on Qinglian Expressway upon the opening of Guangle Expressway. Once Erguang Expressway Yongzhou, Hunan to Lianzhou, Guangdong section commenced operation, it is expected to further attract traffic volume from the western parts of Hunan Province to Qinglian Expressway and boost its traffic volume as well. The reconstruction and expansion work of Guangqing Expressway (Guangzhou – Qingyuan, in Guangdong), which connects to the southern end of Qinglian Expressway, is currently under progress. According to its announced plans, the restricted access measure for heavy transport vehicles will be eased gradually starting from the end of 2014, and the whole works will be completed by the end of 2016. Upon completion of its expansion, Guangqing Expressway will facilitate the diversion of southward bound traffic from Qinglian Expressway, improve the traffic efficiency and quality of the service of the whole expressway, and thus increase the competitiveness of Qinglian Expressway. However, in the short run, the road condition between Guangzhou and Qingyuan will to a certain extent affect the incentive of the road users travelling through Qinglian Expressway to and from Guangdong, Hunan and the areas to the north of Hunan, hence limiting the rapid growth of the traffic volume of Qinglian Expressway.

III. Ongoing Reviews on and Implementation of the Strategies

The Board approved "2010-2014 Development Strategies" of the Company in early 2010 to specifying the development approach of "actively exploring and attempting for new industry investment to achieve synergistic growth in scale and effectiveness by adherence to a market-oriented mindset and based on our highways business". 2013 was the fourth year of the implementation of the strategy. Under the guidance of the established strategies, the Group continued to respond to the adverse effects on the operational performance brought by the changes of toll highway industry policies, successfully realised the operating management targets set at the beginning of the year and saw no significant differences in terms of revenues and cost control as planned at the beginning of the year. For details, please refer to Business Review and Financial Analysis above.

In 2014, based on the critical review on the execution of main objectives during the period covered by the strategies, the Company will formulate a new 5-year strategy and specify the direction and strategy for further development as soon as possible by taking into consideration the analysis of factors such as industry policies, market conditions and its own resources.

IV. Work Plans and Objectives in 2014

The Group's objectives and priorities for 2014 include:

- **Operating targets:** Based on the reasonable analysis and assumption on our operating environment and operating conditions, the Group has set a total toll revenue target for 2014 of not less than RMB2.9 billion, with operating costs and management expenses (excluding depreciation and amortisation) of approximately RMB0.7 billion.

- **Operation and highway management:** We will enhance the quality of operation management and continue to improve our service quality. We will also make targeted adjustments on marketing initiatives to attract traffic flows and advance the work on inter-network toll collection in Guangdong province in order to ensure the traffic efficiency and traffic capacity of the highways. The maintenance works for Jihe West and preventive maintenance works for highways will be completed on schedule with the traffic organisation during the construction period improved and costs effectively controlled.

- **Construction management:** We will proactively push forward the progress of the construction projects, optimise the implementation sectors of projects and strive to achieve various management targets in the precondition of controllable risks. We will also timely conclude experiences in entrusted construction and consolidate resources to seize opportunities for market expansion. We will strengthen our efforts in project settlement and inspection, accelerate project payment settlement and achieve timely recovery of entrusted construction revenue.

- **Financial management:** We will closely monitor the changes in monetary policies and financing environment, study various financial instruments, timely implement new plans to issue bonds with a view to lower the capital costs and optimise the debt structure. We will also strengthen the management of the Group's funding, improve the forecasting and daily management of cash flow and the dividend management of investee companies so as to satisfy the capital needs in operation and development.

- **Business development and management:** We will conduct research and negotiation for the proposals in respect of the investment mode of Outer Ring Expressway and the operation management mode of Coastal Project. We will also follow up with the approval for toll adjustment, assets transfer and fund recovery of Meiguan Expressway. We will closely monitor the progress of assets transfer of Qinglian Class 2 Road, carry out communication and coordination effectively and advance the progress of the business operation of BT-linked land development and continue to monitor and control risks.

- **Strategic research:** We will capture the market opportunities of business development and asset consolidation, as well as conduct in-depth strategic research and complete formulation of the strategy for new stage in time.

In 2014, the Group will adhere to its pragmatic approach to make smart calculation and invest within its capacities, promote each operation management task practically and carry out major works and the key parts of the works well. The Group exerts itself to the utmost to meet the targets for the year and contributes to the achievement of strategic objectives, thereby laying a solid foundation for another round of strategic upgrade.

Report of the Directors and Significant Events

The Board is pleased to present herewith the Report of the Directors and the audited financial statements of the Company and the Group for the year ended 31 December 2013.

1. Principle Activities

The principal activities of the Group are the investment, construction and operation management of toll highways and roads in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses.

An analysis of the Group's revenue and contributions to operating profit for the Reporting Period is set out in Financial Analysis in Chapter V of this annual report. An analysis of the Group's revenue and contributions to operating profit in terms of business segments for the Reporting Period is set out in note 6 to the Financial Statements in Chapter X of this annual report.

2. Major Customers and Suppliers

Given the nature of the business of the Group, there is normally no major sales or purchase in relation to its ordinary course of business. During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted for no more than 30% of the Group's total revenue and total amount of purchases, respectively. For details thereof, please refer to the Financial Analysis in Chapter V of this annual report. No further disclosure in respect of its major customers and suppliers is to be made by the Group.

3. Financial Results

The results of the Group for the year ended 31 December 2013 are set out in Consolidated Income Statement in Chapter X of this annual report.

The financial positions of the Group and the Company as at 31 December 2013 are set out in Consolidated Balance Sheet and Balance Sheet in Chapter X of this annual report.

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out in Chapter II of this annual report.

4. Profit Distribution and Final Dividends

(1) Proposed profit distribution for 2013

Pursuant to the requirement under《上海證券交易所上市公司現金分紅指引》("Guidelines on Cash Dividend Distribution by Companies Listed on SSE"), profit distributable shall be calculated based on that in the financial statements of the parent company, and thus, profit distributable of the Company for the year 2013 was RMB771,584,596.65.

Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB77,158,459.67 to statutory surplus reserve for the year 2013. The Board of the Company recommended the payment of a final dividend of RMB0.16 (tax included) per share in cash to all shareholders, totaling RMB348,923,252.16, for the year ended 31 December 2013, representing 48.5% of the net profit as shown in the consolidated financial statements for the year 2013 and the balance be carried forward to next year. The Board did not recommend any conversion of capital reserve into share capital. Such proposal is to be approved by shareholders at the 2013 Annual General Meeting of the Company.

The proposal/scheme of profit distribution and conversion of capital reserve into share capital of the Company in recent three years were as follows:

(Unit: RMB)	**2013 (proposal)**	2012	2011
Proposal/scheme of profit distribution			
– Share dividend per share	**Nil**	Nil	Nil
– Cash dividend per share (including tax)	**0.16**	0.13	0.16
– Total cash dividend (including tax)	**348,923,252.16**	283,500,142.38	348,923,252.16
– Net profit attributable to owners of the Company	**719,691,617.00**	684,526,701.99	875,146,104.56
– Cash dividend-to-net profit ratio	**48.5%**	41.4%	39.9%
Proposal/scheme of conversion of capital reserve into share capital	**Nil**	Nil	Nil

(2) Profit distribution policy

The Company has always adhered to principle of rewarding its shareholders and paid cash dividend for 16 consecutive years since its listing. According to the relevant requirements of the regulatory authorities as well as considering its practical condition, the Company amended the Articles of Association with a view to further optimising its policy and decision-making procedures on profit distribution in 2012.

Pursuant to the Articles of Association, the Company shall implement the profit distribution policy of cash dividend actively with the principle of attaching great importance to reasonable return on shareholders' investment, as well as considering the needs of sustainable operation and development of the Company. The Articles of Association has a clear standard on cash dividend distribution and the minimum proportion of annual dividend, and has formulated sound decision-making procedures and mechanisms. Any modification by the Company to the profit distribution policy or failure of the Company in formulating or implementing the profit distribution proposal in accordance with the policy shall be proposed and considered at the general meeting as a special resolution. The decision-making procedures of the proposal of profit distribution (including the cash dividend scheme) of the Company for 2013 was in compliance with the requirement of the Articles of Association. In the course of formulation of and determination on the profit distribution proposal, the Independent Directors of the Company has issued an independent opinion based on carefully study and analysis on the relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders from various channels, and concerns the requests and legal interests of the minority investors.

5. Share Capital

The total share capital of the Company was RMB2,180,770,326. Details are set out in note 5(25) to the Financial Statements in Chapter X and Chapter VII of this annual report.

6. 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.

7. Rating and Interest Payment for Listed Bonds

In April 2013, 中誠信證券評估有限公司 (China Chengxin Securities Rating Co., Ltd.) conducted a follow-up debt credit rating for the bonds named "11 Shenzhen Expressway" issued by the Company, and the existing credit rating of AA+ was maintained. In July 2013, the Company completed the payment of interests for the year on schedule as stipulated. An interest of RMB60 (tax included) was paid for each lot of "11 Shenzhen Expressway" (with par value of RMB1,000).

In June 2013, 中誠信國際信用評級有限責任公司 (China Chengxin International Credit Rating Co., Ltd.) conducted a follow-up debt credit rating for the bonds named "07 Shenzhen Expressway Bond" issued by the Company, and the existing credit rating of AAA was maintained. In October 2013, the Company completed the payment of interests for the last year on schedule and the principle of the bonds as stipulated. An interest of RMB10 (tax included) as well as principle of RMB1,000 were paid for each lot of "07 Shenzhen Expressway Bond" (with par value of RMB1,000). The repayment of "07 Shenzhen Expressway Bond" was completed upon maturity, and the bonds were delisted from SSE on 19 October 2013.

8. Pre-emptive Rights

According to the Articles of Association and the PRC laws, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings if new shares are issued.

Report of the Directors and Significant Events

9. Tax Relief

Shareholders are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2013. Shareholders should seek professional advice from their tax and legal advisors.

(1) Holders of A Shares

Pursuant to《關於實施上市公司股息紅利差別化個人所得稅政策有關問題的通知》("Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies") (Cai Shui [2012] No.85), for shares of listed companies obtained by individuals (including securities investment funds) from public offerings or the market, where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis; and where the holding period exceeds one year, 25% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

Pursuant to《國家稅務總局關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》(Notice on Withholding and Paying Enterprise Income Tax Matters Concerning PRC domestic enterprise Paying Dividends, Bonuses and Interests to QFII by State Administration of Taxation)(Guo Shui Han [2009] No.47), for qualified foreign institutional investors, the Company shall withhold and pay enterprise income tax with tax rate of 10%. If the relevant shareholders consider their dividends enjoy tax treaty (arrangement) benefits, the shareholders may apply for Tax refund on their own to the competent tax authorities in accordance with the provisions after obtaining dividends.

(2) Holders of H Shares

Pursuant to《中華人民共和國企業所得稅法》("Enterprise Income Tax Law of the People's Republic of China") and its implementation rules implemented in 2008, starting from 1 January 2008, any PRC domestic enterprise which pays dividend to a non-resident enterprise shareholder in respect of the accounting periods beginning from 1 January 2008 shall withhold and pay enterprise income tax. The withholding and payment obligations will lie with the payer. Pursuant to《關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》("Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No.045") (Guo Shui Han [2011] No.348) of the State Administration of Taxation dated 28 June 2011 and the letter titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" of The Stock Exchange of Hong Kong Limited dated 4 July 2011, when non-foreign investment companies of the Mainland which are listed in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10%, unless otherwise specified by the tax regulations and relevant tax agreements.

Under current practice of relevant tax authorities, no tax is payable in Hong Kong in respect of dividends paid by the Company.

10. Reserves

The amounts and particulars of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes 5(26), 5(27) and 5(28) to the Financial Statements in Chapter X of this annual report.

11. Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group and the Company during the Reporting Period are set out in notes 5(8), 14(5) and 5(10), 14(7) to the Financial Statements in Chapter X of this annual report respectively.

12. Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in notes 5(12), 5(21), 5(22) and 5(23) to the Financial Statements in Chapter X of this annual report.

13. Subsidiaries and Joint Ventures

Details of the Company's subsidiaries and joint ventures are set out in notes 4(1) and 7(3) to the Financial Statements in Chapter X of this annual report respectively.

14. Directors, Supervisors and Senior Management

(1) There was no change in the Directors, the Supervisors and the senior management during the Reporting Period, and the details of such personnel are set out in Chapter VIII of this annual report.

(2) Details of the remuneration received by the Directors, the Supervisors and the senior management during the Reporting Period are set out in Chapter VIII and notes 7(5)(f)-(h) to the Financial Statements in Chapter X of this annual report.

(3) Directors' service contracts:

Each of the Directors has entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts are effective from 1 January 2012 to 31 December 2014. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

(4) Directors' and Supervisors' interests in contracts:

As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance was entered into to which the Company or its subsidiaries was a party and in which the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, nor any of the aforesaid contract that was still effective subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

(5) None of the Directors, the Supervisors or the senior management is materially interested in any contract or arrangement entered into by any member of the Group which contract or arrangement is subsisting at the date of this annual report and which is significant in relation to the business of the Group.

(6) During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Directors, the Supervisors and the senior management of the Company or its controlling shareholder(s) or their respective connected persons.

Report of the Directors and Significant Events

15. Disclosure of Interests of Directors, Supervisors and Senior Management (pursuant to the requirements of the Listing Rules of HKEx)

As at 31 December 2013, the interests or short positions of the Directors, the Supervisors or the senior management in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) 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 (1):

Name	Number of ordinary shares held as at 31 December 2013	Change during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Li Jing Qi	8,286,805	+286,805	0.05%	Personal	Beneficial owner

Interests in share option of Shenzhen International (1):

Name	Share option unexercised as at 31 December 2013	Change during the Period	Nature of Interests	Capacity
Yang Hai	4,731,000 (2)	-9,569,000 (4)	Personal	Beneficial owner
Li Jing Qi	5,100,000 (2)	-11,900,000 (4)	Personal	Beneficial owner
Zhao Jun Rong	4,290,000 (2)	-10,010,000 (4)	Personal	Beneficial owner
Hu Wei	5,250,000 (3)	+5,250,000 (3)	Personal	Beneficial owner
Tse Yat Hong	14,300,000 (2)	Nil	Personal	Beneficial owner
Zhong Shan Qun	4,732,500 (2)	-9,567,500 (4)	Personal	Beneficial owner

Notes:

(1) The information in this section is disclosed without taking into account the effect of every 10 shares of Shenzhen International with a nominal value of HK$0.10 each be consolidated into 1 consolidated share of Shenzhen International with a nominal value of HK$1.00 each, which became effective on 13 February 2014.

(2) The share options owned by Directors Yang Hai, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong and Supervisor Zhong Shan Qun were granted on 28 September 2010 and could be exercised during the period from 28 September 2012 to 27 September 2015, according to the grant provisions, with the exercise price HK$0.58 per share.

(3) The share options owned by Director Hu Wei were granted on 18 January 2013 and could be exercised during the period from 28 September 2014 to 27 September 2015, according to the grant provisions, with the exercise price HK$0.91 per share.

(4) Ordinary shares obtained upon exercise of share options by Directors Yang Hai, Li Jing Qi, Zhao Jun Rong and Supervisor Zhong Shan Qun were disposed during the Reporting Period.

Saved as disclosed above, as at 31 December 2013, none of the Directors, the Supervisors or the senior management had interests or short positions defined above.

16. Connected Transaction

(1) During the Reporting Period, there is no significant connected transaction occurred by the Company or its subsidiaries.

(2) Pursuant to the Listing Rules of HKEx, the continuing connected transaction was disclosed as follows:

On 29 December 2011, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2012 and expired on 31 December 2013. The entrusted management fees are RMB18 million per year and will be paid in cash by Baotong Company by installments to the Company. Longda Company is principally engaged in toll collection, maintenance, management of the road asset and its rights, and resources development of Longda Expressway. For details thereof, please refer to the announcement of the Company dated 29 December 2011. The Independent Directors of the Company had taken annual review on this continuing connected transaction and confirmed that the transaction was on normal commercial terms in the ordinary and usual course of business of the Company, and during the Reporting Period the transaction was in accordance with the entrusted management agreement and that the terms are fair and reasonable and in the interests of the Company and the shareholders of the Company as a whole. The auditor of the Company had reviewed this continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and provided a letter on the matters described in Rule 14A.38 of the Listing Rules of HKEx.

On 27 December 2013, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2014 and expired on 31 December 2015. The entrusted management fees are RMB18 million per year and will be paid in cash by Baotong Company by installments to the Company. For details thereof, please refer to the announcement of the Company dated 27 December 2013.

Save as disclosed above, the related party transactions disclosed in note 7(5) to the Financial Statements in Chapter X of this annual report are either connected transactions or continuing connected transactions fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.31(2), 14A.31(6) and 14A.33(3) of the Listing Rules of HKEx or do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules of HKEx. The Company does not have any other matters that need to be disclosed under Chapter 14A of the Listing Rules of HKEx.

(3) Advances and Liabilities or Guarantees Related to the Connected Parties (as defined in the relevant PRC regulatory rules):

During the Reporting Period, there is no non-operating fund occupancy by the controlling shareholders and its connected parties arising in the Company. The auditor of the Company have produced a specific report in relation to the sheet of fund occupancy by the controlling shareholders and other connected parties prepared by the Company in accordance with regulations.

17. Management Contract

Pursuant to a contract dated 7 June 1995 together with subsequent amendments thereof, Magerk Company entrusted the toll collection of Wuhaung Expressway and the usage, management, preservation, maintenance and repair of Wuhuang Expressway and its ancillary facilities to 湖北省高等級公路管理局 (Hubei Bureau for the Administration of Higher Class Public Roads), or other sub-contractors whom it may designate from time to time (湖北武黃高速公路經營有限公司 (Hubei Wuhuang Expressway Management Co. Ltd.) 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 the year of 2013, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB899,299,000 and RMB95,888,000 respectively. Magerk Company recorded net profit of RMB127,837,000, with net profit attributable to the Group being RMB70,310,000 after deducting minority interests, representing 9.77% 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.

Report of the Directors and Significant Events

18. 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 [(1)]	Until repayment of all liabilities by Qinglian Company under the loan agreement
Toll collection rights of Yanpai Expressway	Pledge	Industrial and Commercial Bank of China Shenzhen Branch	Principal and interests of fixed asset backed loans in an aggregate amount of RMB800 million [(2)]	Until repayment of all liabilities by the 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)
40% of equity interests in Qinglong Company	Pledge	Industrial and Commercial Bank of China Shenzhen Branch	Principal and interests of bank loans in an aggregate amount of RMB1.3 billion [(3)]	Until repayment of all liabilities by the Company under the loan agreement
154,000,000 shares of JEL Company [(4)]	Pledge	Industrial and Commercial Bank of China (Asia) Limited	Bank loans in amount of HK$380 million and relative payment liabilities under swap facilities of HK$647 million [(4)]	Until the 7th month after the repayment of all mortgage-backed liabilities by the Mei Wah Company

Notes:

(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 RMB4,242 million.

(2) As at the end of the Reporting Period, the balance of such loans used by the Company was RMB250 million.

(3) As at the end of the Reporting Period, the balance of such loans used by the Company was RMB565 million.

(4) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of loans used by Mei Wah Company under such facilities was HK$22 million, and the outstanding principal of loans for which the Group had arranged swap was HK$336 million.

(5) During the Reporting Period, the Company completed the repayment of convertible corporate bonds, in which bonds and subscription warrants are tradable separately ("07 Shenzhen Expressway Bond"), with an amount of RMB1.5 billion upon maturity, and the pledge of the 47.3% of toll collection right of Nanguang Expressway, which is the counter-guarantee to Agricultural Bank of China Shenzhen Branch, was relieved.

19. External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)						
Name of the guaranteed	Date of occurrence (date of agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Completed or not	Guarantee for connected party or not
China Construction Bank Shenzhen Branch	2007-4-20	800	Joint liability guarantee (2)	From August 2007 until repayment of corporate bonds of the Company (principal and interests)	No	No
Industrial and Commercial Bank of China Shenzhen Branch	2010-9-17	HK$23.31 (3)	Joint liability guarantee (3)	Upon the relief of guarantee bank's liability and until repayment of liability (if any) under the agreement	No	No
Total amount of guarantees occurred during the Reporting Period						0
Total balance of guarantees as at the end of the Reporting Period						818.33
Guarantees for subsidiaries of the Company						
Total amount of guarantees occurred for subsidiaries during the Reporting Period						77.92 (4)
Total balance of guarantees for subsidiaries as at the end of the Reporting Period						77.92
Total amount of guarantees of the Company (including guarantees for subsidiaries)						
Total amount of guarantees						896.25
Proportion of total amount of guarantees to the net assets of the Company						8.99%
Including:						
Amount of the guarantees for shareholders, de-facto controller and their connected parties						–
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70%						818.33
Amount of the guarantees exceed 50% of net assets of the Company						–
Total amount of the above three guarantees						818.33

Notes:

(1) The abovementioned two external guarantees had been approved by the 2006 Annual General Meeting and the Second Extraordinary General Meeting 2010 of the Company respectively. The abovementioned guarantee for a subsidiary of the Company had been approved by the eighth meeting of the sixth session of Board. The company has no external guarantee in violation of decision-making procedures.

(2) For details on guarantee to China Construction Bank Shenzhen Branch, please refer to "Mortgage and Pledge of Assets" above.

(3) As for the financing needs in Hong Kong, Mei Wah Company accepted the guarantee provided by the Industrial and Commercial Bank of China Limited (Shenzhen Branch) with the total amount not exceeding HK$645 million. The Company provided credit counter-guarantee for the bank which provided guarantee. As at the end of the Reporting Period, the guarantees accepted by Mei Wah Company was HK$23.31 million, equivalent to approximately RMB18.33 million.

(4) The Company entered into agreements on 10 January 2013 with relevant banks, pursuant to which the Company provided guarantees with joint liability in proportion of 70% for the bank loans and debt under credit facilities of Guishen Company with the total amount not more than RMB800 million. The total amount of guarantees is RMB560 million. Guishen Company had entered into agreements regarding the bank loans/credit facilities of RMB800 million under abovementioned guarantees. As at 31 December 2013, the balance of the loan used was RMB111.32 million, and the guarantees provided by the Company is RMB77.92 million in proportion of the 70% interests.

The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered specific explanations and independent opinions in relation to the external guarantees of the Company.

Report of the Directors and Significant Events

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

21. Subsequent Event

The Company, Meiguan Company (a wholly-owned subsidiary of the company), Transport Commission of Shenzhen Municipality ("Transport Commission", on behalf of Shenzhen Municipal Government), and Shenzhen Longhua New Area Administrative Committee ("Longhua New Area", approved by Shenzhen Municipal Government) (abovementioned two parties collectively referred to as "Shenzhen Government Authorities"), entered into《梅觀高速公路調整收費補償及資產移交協議》("Agreement on the Toll Adjustment and Compensation and the Transfer of Assets Regarding Meiguan Expressway") on 27 January 2014. Pursuant to this agreement, the Group have agreed to implement toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km ("Toll Free Section") from 24:00 on 31 March 2014, and remain the toll of Shenzhen-Dongguan border to Guanlan section of Meiguan Expressway with a mileage of 5.4 km. Shenzhen Government Authorities have agreed to make cash compensation to the Group, including the compensation of the future income of the Toll Free Section for approximately RMB1,598 million and other relevant costs/expenses for approximately RMB1,102 million (preliminary figure, part of the amount is subject to the audit figure of the relevant governmental audit department or the amount actually occurred). In order to maintain the integrity of expressway toll networks of Guangdong Province, Shenzhen Government Authorities will set up a new mainline toll station for Meiguan Expressway and 4 ramp toll stations, which will commence operation from 24:00 on 31 December 2014. Before the operation of the New Toll Stations, the Toll Free Section will be operated by card access but the toll of Toll Free Section will be exempted by the Group. The assets and the corresponding repair and maintenance responsibilities will be transferred to Shenzhen Government Authorities at 0:00 on 1 January 2015 pursuant to the terms of the agreement. This matter is subject to the approval of the general meeting of the Company and Shenzhen Municipal Government's final approval. The Company is to hold the First Extraordinary General Meeting 2014 on 28 March 2014 for shareholders' consider and approval about the resolution in relation to the toll adjustment in Meiguan Expressway and compensation by the government. For details thereof, please refer to the announcements of the Company dated 27 January 2014 and 11 February 2014, and the shareholders' documents of the Company dated 6 March 2014.

22. Undertakings

(1) The shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding in the Company, have undertaken in the promoters' agreement in January 1997 that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. The Company did not notice violation of such undertakings by the above two shareholders up to the end of the Reporting Period.

(2) Shenzhen International and SGJ Shenzhen made undertakings in《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") published on 18 October 2007 in the securities market of PRC. The undertakings include avoiding competitions and standardising connected transactions, etc. For details thereof, please refer to the abovementioned《詳式權益變動報告書》("Detailed Report on the Change of Equity Interests") or related contents in the Annual Report 2007 of the Company. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by the above two companies.

(3) Shenzhen International made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and June 2011 respectively. Shenzhen Investment Holdings Company Limited ("SIHCL") made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and May 2011 respectively. The undertakings include that Shenzhen International and SIHCL shall inject their highway assets into the Company in 5-8 years in the case of qualified. For details thereof, please refer to《收購報告書》("Acquisition Report") published on 4 January 2011 in the securities market of PRC by SIHCL and the announcement of the Company dated 1 June 2011. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by Shenzhen International or SIHCL.

23. Charity Donations

During the Reporting Period, the Group allocated RMB560,000 for charity or public welfares.

24. Results Review

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2013. For details thereof, please refer to Corporate Governance Report in Chapter IX of this annual report.

25. Appointment of Auditor

Details of the appointment and remuneration of the auditor (including financial statements audit and internal control audit) are set out in Corporate Governance Report in Chapter IX of this annual report.

26. Name of Directors

As at the date of this report, the Directors of the Company are Mr. Yang Hai (Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Hu Wei (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Wang Hai Tao (Independent Director), Mr. Zhang Li Min (Independent Director), Mr. Au Sing Kun (Independent Director) and Mr. Lin Chu Chang (Independent Director).

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 19 March 2014

Share Capital and Shareholders

I. Profile of Movements of Share Capital

1. Table of Movements of Shares

	Prior to the movement		Increase or decrease of the movement (+,-)					After the movement	
	Number	Percentage	Issue of new shares	Bonus issue	Conversion of reserve	Others	Sub-total	Number	Percentage
Non-restricted circulating shares									
1. Renminbi-denominated ordinary shares	1,433,270,326	65.72%	–	–	–	–	–	1,433,270,326	65.72%
2. Overseas-listed foreign shares	747,500,000	34.28%	–	–	–	–	–	747,500,000	34.28%
Total number of shares	2,180,770,326	100%	–	–	–	–	–	2,180,770,326	100%

2. Issuing and Listing of the Securities

During the Reporting Period, there was no change in the Company's total number of shares or share structure. At the end of the Reporting Period, the Company had not issued staff shares. As at the end of the Reporting Period, the securities issued by the Company in the past three years are as follows:

Types of securities	Time of issuing	Issuing price (or interest rate)	Issuing size	Listing date	Approved number of transaction	Date of termination of the transaction
Corporate bonds	2 August 2011	The face interest rate of the bonds is 6.0% carrying an option for increase of face interest by the Company and an investors' put option to sell back the bond at the end of the third year.	The bonds were issued at par with a par value of RMB100 each, with the term of 5 years and issuing size of 15,000,000.	9 August 2011	Issued RMB1.5 billion with issuing size of 15,000,000	27 July 2016

3. Public Float

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

4. Circulating Market Capitalisation

Based on the publicly available information, as at the end of the Reporting Period, the circulating market capitalisation of A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB3.37)) was RMB4.830 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK$3.49)) was HK$2.609 billion.

II. Profile of Shareholders

1. General 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:

Unit: share

Total number of shareholders as at the end of 2013	The Company had 31,519 shareholders in total, including 31,236 holders of domestic shares and 283 holders of H Shares.		Total number of shareholders as at the end of the fifth trading day prior to the publication of this annual report		The Company had 30,701 shareholders in total, including 30,420 holders of domestic shares and 281 holders of H Shares.	
The top ten shareholders as at the end of 2013						
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Changes during the Reporting Period	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED (Note)	Overseas legal person	32.42%	706,949,098	-652,000	–	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	State-owned legal person	30.03%	654,780,000	–	–	None
Shenzhen Shen Guang Hui Highway Development Company	State-owned legal person	18.87%	411,459,887	–	–	None
China Merchants Hua Jian Highway Investment Co., Ltd	State-owned legal person	4.00%	87,211,323	–	–	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	–	–	None
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	–	–	Unknown
IP KOW	Overseas natural person	0.42%	9,100,000	–	–	Unknown
PICC – Dividend – Personal Insurance Dividend	Unknown	0.35%	7,682,917	+7,682,917	–	Unknown
WONG KIN PING + LI TAO	Overseas natural person	0.23%	5,000,000	–	–	Unknown
LI KIU	Overseas natural person	0.16%	3,550,000	+500,000	–	Unknown

The top ten holders of non-restricted circulating shares as at the end of 2013		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED (Note)	706,949,098	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 Hua Jian Highway Investment Co., Ltd	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
IP KOW	9,100,000	H Share
PICC – Dividend – Personal Insurance Dividend	7,682,917	A Share
WONG KIN PING + LI TAO	5,000,000	H Share
LI KIU	3,550,000	H 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. Save as the abovementioned relationship, there is no connected relationship among the other state-owned shareholders in the above table. In addition, the Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the above four state-owned shareholders and other abovementioned shareholders.	

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

Share Capital and Shareholders

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

As at 31 December 2013, 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 the SFO, or in accordance with the notice received by the Company and the HKEx, were as follows:

Domestic shares:

Name of shareholder	Capacity	Number of domestic shares of the Company held	Percentage of total issued domestic 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
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)
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 SFO for relevant definitions

Notes:

(1) All the domestic 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 domestic shares were directly held by XTC Company as beneficial owner, 411,459,887 domestic 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 48.01% interests in Shenzhen International. Pursuant to the SFO, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of the SFO 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 31 December 2013.

3. Information of the Controlling Shareholder and the De-facto Controller

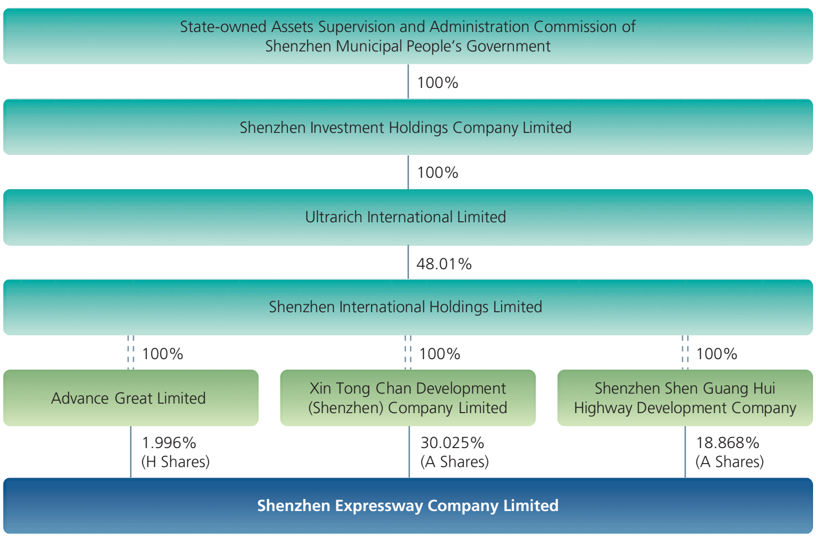
XTC Company, holding 30.025% of the Company's shares, is the largest beneficial shareholder of the Company. It was established on 8 September 1993. Its legal representative is Mr. Zhong Shan Qun, organisation code is 19224376-X, and registered capital is RMB200 million. The principal business scope of XTC Company covers transportation information consulting, software development of transport platform and investment in various industrial projects (specific project shall be applied separately).

As at the end of the Reporting Period, Shenzhen International held indirectly a total of 50.889% of the Company's shares, of which 654,780,000 A Shares held were through XTC Company, representing approximately 30.025% of the total share capital of the Company; 411,459,887 A Shares were held through SGH Company, representing approximately 18.868% of the total share capital of the Company; 43,536,000 H Shares were held through Advance Great Limited, representing approximately 1.996% of the total share capital of the Company.

Shenzhen International is a company incorporated on 22 November 1989 in Bermuda with limited liability and is listed on the main board of HKEx. The current chairman of the Board of Director is Gao Lei. Shenzhen International had issued a total share capital of HK$1,657,098,694.50 as at 31 December 2013. It is principally engaged in investment holding. The group, comprising the company, its subsidiaries, jointly controlled entities and associates, is principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities. According to the 2012 Annual Report of Shenzhen International, the total assets amounted to HK$42.38 billion, the owners' equity amounted to HK$12.65 billion, the profit attributable to shareholders amounted to HK$1.88 billion, and the net cash flows from operating activities amounted to HK$1.92 billion. Shenzhen International's development strategy defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through acquisitions, restructuring and integration, the group endeavours to invest, construct and operate logistic infrastructure projects such as logistic parks and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders. According to the information provided by Shenzhen International, it held approximately 5.87% interests in CSG, a domestic listed company at the end of 2013. For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

SIHCL, the controlling shareholder of Shenzhen International, is a corporation wholly-owned by Shenzhen SASAC and, holds approximately 48.01% of the issued share capital of Shenzhen International. According to the authorisation of Shenzhen Municipal Government, Shenzhen SASAC performs contributive person obligation in accordance with the laws and takes the responsibility for the supervision of the state-owned assets of the municipal enterprises.

During the Reporting Period, there was no change in the controlling shareholder of the Company. As at the end of the Reporting Period, ownership and the relation of control between the Company and the de-facto controller are as follows:



4. Information of other Legal Person Shareholders

As at the end of the Reporting Period, other legal person shareholders beneficially holding more than 10% of the Company's shares included:

Name of shareholder	Legal representative	Date of establishment	Organisation code	Registered capital	Major operating management activities
SGH Company	Li Jing Qi	June 1993	45576829-4	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing

Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.

Directors, Supervisors, Senior Management and Employees

I. General Information of Directors, Supervisors and Senior Management

Name	Title	Sex	Age	Term of the current session	Whether or not holding or traded shares of the Company
Yang Hai	Chairman of the Board	Male	52	Jan 2012-Dec 2014	No
Wu Ya De	Executive Director	Male	49	Jan 2012-Dec 2014	No
	President			Sep 2012-Aug 2015	
Li Jing Qi	Non-executive Director	Male	57	Jan 2012-Dec 2014	No
Zhao Jun Rong	Non-executive Director	Male	49	Jan 2012-Dec 2014	No
Hu Wei	Non-executive Director	Male	51	Jan 2012-Dec 2014	No
Tse Yat Hong	Non-executive Director	Male	44	Jan 2012-Dec 2014	No
Zhang Yang	Non-executive Director	Female	49	Jan 2012-Dec 2014	No
Chiu Chi Cheong, Clifton	Non-executive Director	Male	59	Jan 2012-Dec 2014	No
Wang Hai Tao	Independent Director	Male	68	Jan 2012-Dec 2014	No
Zhang Li Min	Independent Director	Male	58	Jan 2012-Dec 2014	No
Au Sing Kun	Independent Director	Male	61	Jan 2012-Dec 2014	No
Lin Chu Chang	Independent Director	Male	44	Jan 2012-Dec 2014	No
Zhong Shan Qun	Chairman of the Supervisory Committee	Male	49	Jan 2012-Dec 2014	No
He Sen	Supervisor	Male	40	Jan 2012-Dec 2014	No
Fang Jie	Supervisor	Male	53	Jan 2012-Dec 2014	No
Li Jian	Vice President	Male	55	Sep 2012-Aug 2015	No
Zhou Qing Ming	Vice President	Male	57	Sep 2012-Aug 2015	No
Ge Fei	Vice President	Male	45	Sep 2012-Aug 2015	No
Liao Xiang Wen	Vice President	Male	45	Sep 2012-Aug 2015	No
Gong Tao Tao	Financial Controller	Female	40	Sep 2012-Aug 2015	No
Wu Xian	Chief Engineer	Male	55	Sep 2012-Aug 2015	No
Wu Qian	Secretary of the Board	Female	42	Sep 2012-Aug 2015	No

During the Reporting Period, there is no change in the Director, Supervisors or the senior management of the Company.

II. Biography of the Directors, Supervisors and Senior Management

Director

YANG Hai,
Chairman of the Board

Born in 1961

Director & Chairman since Apr. 2005
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Chairman of Strategic Committee,
Member of Nomination Committee,
Director of a subsidiary

Mr. YANG Hai holds a qualification of Senior Engineer. Mr. Yang had been a Deputy General Manager of the Company from 1997 to 2000. He joined Shenzhen International in March 2000, had been the General Manager of an unlisted subsidiary of Shenzhen International and a Vice President of Shenzhen International. He has been an Executive Director of Shenzhen International since August 2007 and is also a Director of an unlisted subsidiary of Shenzhen International.

WU Ya De,
Executive Director, President

Born in 1964

Director since Jan. 1997
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014
President since Jan. 2002

Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Member of Strategic Committee,
Director of subsidiaries

Mr. WU Ya De holds a qualification of Senior Political Officer. He had been a Director, the General Manager and the Chairman of SGH Company. He has been the Acting President and the President of the Company since January 2002. Mr. Wu is also an Independent Director of Shenzhen Fenda Technology Co., Ltd.

LI Jing Qi,
Non-executive Director

Born in 1956

Director since Apr. 2005
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Member of Strategic Committee

Mr. LI Jing Qi holds a qualification of Senior Economist. He has been an Executive Director of Shenzhen International since March 2000, and has been the President of Shenzhen International since August 2006. Mr. Li is a Director of CSG Holding Co., Ltd, a Director of Ultrarich International Ltd, and also holds a number of directorships/the Chairman or the General Manager in various unlisted subsidiaries or investee companies of Shenzhen International, which includes XTC Company and SGH Company.

ZHAO Jun Rong,
Non-executive Director

Born in 1964

Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Mr. ZHAO Jun Rong holds qualifications of Economist and Lawyer. He joined Shenzhen International in October 2001, and has been a Vice President of Shenzhen International since June 2007. He also holds a number of directorships in various unlisted subsidiaries or investee companies of Shenzhen International, which includes XTC Company and SGH Company.

Directors, Supervisors, Senior Management and Employees

HU Wei,
Non-executive Director

Born in 1962

Director since Jan. 2012
Term of office:
1 Jan 2012 to 31 Dec 2014

Other positions held within the Group:
Member of Risk Management Committee

Mr. HU Wei holds a qualification of Senior Economist. He had worked in China Everbright Bank from June 2001 to August 2011 and joined Shenzhen International in August 2011 as a Vice President. Mr. Hu also holds directorships in some unlisted subsidiaries or investee companies of Shenzhen International, which includes XTC Company.

TSE Yat Hong,
Non-executive Director

Born in 1969

Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Mr. TSE Yat Hong is a Fellow of the Hong Kong Institute of Certified Public Accountants and a FCPA of CPA Australia. He joined Shenzhen International in June 2000 as the Chief Financial Officer. Mr. Tse holds directorships in some unlisted subsidiaries of Shenzhen International. He is also an Independent Director of Casablanca Group Limited and China Huirong Financial Holdings Limited.

ZHANG Yang,
Non-executive Director

Born in 1964

Director since Mar. 2001
Term of office:
1 Jan 2012(re-appointed) to 31 Dec 2014

Other positions held within the Group:
Member of Risk Management Committee

Ms. ZHANG Yang holds a qualification of Political Officer. She joined CM Huajian in 1994 and has been a Deputy General Manager of CM Huajian since April 2007. Ms. Zhang is also the Vice Chairman of Jilin Expressway Co., Ltd, and a Director of Jiangsu Expressway Co., Ltd and Henan Zhongyuan Expressway Co., Ltd.

CHIU Chi Cheong, Clifton,
Non-executive Director

Born in 1954

Director since Dec. 1996
(Independent Director: 1996-2002)
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Member of Strategic Committee, Audit Committee and Remuneration Committee

Mr. CHIU Chi Cheong, Clifton, is a Certified Accountant in USA. He has been the Managing Director of Harvester (Holdings) Company Limited since January 1994. Mr. Chiu is a Member of the University Grants Committee of Hong Kong Special Administrative Region. He had been a Vice Chairman of Takeover and Mergers Panel of the SFC, a Member of Process Review Panel of the SFC and a Vice Chairman of the Listing Committee of the Main Board of HKEx and the Listing Committee of the Growth Enterprises Market of HKEx.

WANG Hai Tao,
Independent Director

Born in 1945

Independent Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Chairman of Nominaiton Committee and Remuneration Committee

Mr. WANG Hai Tao holds a qualification of Senior Economist. He joined China Merchants Bank in April 1994 and had been the Executing Deputy Officer of Administrative Office of Headquarter, the Officer of Training Centre, the General Manager of Administrative Department and the Vice Chairman of the Labour Union of Headquarter. Mr. Wang retired in February 2006.

ZHANG Li Min,
Independent Director

Born in 1955

Independent Director since Jan. 2009
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Chairman of Audit Committee,
Member of Remuneration Committee

Mr. ZHANG Li Min is a Certified Public Accountant of PRC. He had been a Professor in accounting and a Tutor of Doctorship in School of Business of Sun Yat-Sen University from 1999 to 2009, and has been a Professor in accounting and a Tutor of Doctorship in School of Economics and Management of Beijing Jiaotong University since 2009. Mr. Zhang is also an Independent Director of Tianjin Benefo Tejing Electric Co., Ltd and Shenzhen Changcheng Investment Holding Co., Ltd, and a Vice Chairman of China Audit Society and a Member of Firm Disciplinary Committee of The Chinese Institute of Certified Public Accountants.

AU Sing Kun,
Independent Director

Born in 1952

Independent Director since Jan. 2012
Term of office:
1 Jan 2012 to 31 Dec 2014

Other positions held within the Group:
Chairman of Risk Management Committee,
Member of Audit Committee

Mr. AU Sing Kun had worked in HSBC from 1978 to 2009, and had been the Operation Director of HSBC (China), the President of HSBC Shenzhen Branch and the Chief Executive Officer of HSBC (Macau). Since his retirement in 2009, Mr. Au has been a Director of Nice International Investments Limited.

LIN Chu Chang,
Independent Director

Born in 1969

Independent Director since Jan. 2012
Term of office:
1 Jan 2012 to 31 Dec 2014

Other positions held within the Group:
Member of Strategic Committee and Nomination Committee

Mr. LIN Chu Chang had been the Chief Financial Officer of China Resources Land Limited from 2002 to 2006, and the Chief Financial Officer and an Executive Director of Longfor Properties Co. Ltd from 2006 to 2010. Mr. Lin currently is the Chairman and Executive President of Jeffrey Investments Limited and an Independent Director of China Zhongsheng Resources Holdings Limited.

Directors, Supervisors, Senior Management and Employees

Supervisor

ZHONG Shan Qun,
Chairman of the Supervisory Committee

Born in 1964

Supervisor & Chairman since Aug. 2009[Note]
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Note: a Director during Jan1997-Apr2005, the Chairman of the Supervisor Committee during Jan 2006-Sep 2007

Mr. ZHONG Shan Qun holds a qualification of Engineer. He joined XTC Company in January 1994, had been the General Manager and the Chairman of XTC Company. Mr. Zhong has been a Vice President of Shenzhen International since June 2007, and he is also a Director or the Chairman of some other unlisted subsidiaries or investee companies of Shenzhen International, which includes XTC Company.

HE Sen,
Supervisor

Born in 1973

Supervisor since Jan. 2010
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Mr. HE Sen holds a qualification of Senior Accountant. He joined GDRB Company in March 2001, had been the Assistant to General Manager, a Deputy General Manager and the Chief Accountant of Guangdong Guangshao Expressway Co., Ltd, and the Deputy Manager of Financial Department of GDRB Company. He has been the Manager of Financial Department/the Chief of Financial Control Department of GDRB Company since November 2009, and he also holds a number of supervisorships in various unlisted subsidiaries or investee companies of GDRB Company.

FANG Jie,
Supervisor (representing the staff)

Born in 1960

Supervisor since Aug. 2008
Term of office:
1 Jan 2012 (re-appointed) to 31 Dec 2014

Other positions held within the Group:
Supervisor of a subsidiary

Mr. FANG Jie holds a qualification of Senior Engineer. He had worked in XTC Company from January 2001 to March 2007. Mr. FANG joined the Company in April 2007 and has been the General Manger of Project Development Department and the Director of Chief Engineer Office.

Senior Management

LI Jian,
Vice President

Born in 1958

Vice President since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Director/Chairman of some subsidiaries

Mr. LI Jian joined the Company in 1996, and has been the Operations Controller and a Vice President of the Company since August 2005. He is now responsible for business strategy, equity financing and management of investment projects as well as the overall study of new industries. He is also a Vice Chairman of GZ W2 Company, Jiangzhong Company and Nanjing Company, which are all investee companies of the Group.

ZHOU Qing Ming,
Vice President

Born in 1956

Vice President since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Management Representative of corporate's quality management system, Director of subsidiaries

Mr. ZHOU Qing Ming holds a qualification of Senior Engineer, and he is also a Registered Safety Officer. Mr. Zhou joined the Company in 1998 and has been the Administrative Controller and a Vice President since November 2004. He is mainly responsible for toll highway maintenance and administration, management of projects under construction as well as the Company's quality management system. As a representative of the Company, Mr. Zhou is also the Chairman of Longda Company, the Executive Director and General Manager of Coastal Company and the Chairman of Shenzhen Freeway Industry Co., Ltd.

GE Fei,
Vice President

Born in 1968

Vice President since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Chairman/Director of subsidiaries

Mr. GE Fei holds a qualification of Engineer. He joined the Company in 1998, and has been the Engineering Controller and a Vice President of the Company since August 2005. Mr. Ge is mainly responsible for development of new industries of the Company and management of specific projects of such industries.

LIAO Xiang Wen,
Vice President

Born in 1968

Vice President since Sep. 2009
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Director of a subsidiary

Mr. LIAO Xiang Wen is a Doctor of Laws. He joined the Company in 2004. He has been a Vice President since September 2009. Mr. Liao is mainly responsible for toll collections business and relative mechanical/electrical maintenance, human resources, legal affairs, public relations, development of corporate culture and administrative affairs of the Company. He is also a Director of Guangdong UETC, which is an investee company of the Group.

Directors, Supervisors, Senior Management and Employees

GONG Tao Tao,
Financial Controller

Born in 1973

Financial Controller since Nov. 2002
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Director of subsidiaries

Ms. GONG Tao Tao holds qualifications of Certified Public Accountant of PRC and Certified Public Valuer of PRC. She joined the Company in 1999, and has been the Financial Controller since November 2002. Ms. Gong is mainly responsible for overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, preparation of periodic financial reports, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans.

WU Xian,
Chief Engineer

Born in 1958

Chief Engineer since Aug. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Other positions held within the Group:
Director of a subsidiary

Mr. WU Xian holds qualifications of Senior Engineer and Registered Supervising Engineer. Mr. Wu joined the Company in 1996, had been a Deputy General Manager and the Technical Controller of the Company and has been the Chief Engineer of the Company since August 2007. He is mainly responsible for technical works, project prophase management and safety management of the Company.

WU Qian,
Secretary of the Board,
Company Secretary

Born in 1971

Secretary of the Board since Sep. 2004
Company Secretary since Sep. 2007
Term of office:
1 Sep 2012 (re-appointed) to 31 Aug 2015

Ms. WU Qian holds a qualification of Certified Public Accountant of PRC and a qualification of Economist. She joined the Company in 2003. Ms. Wu has been the Secretary of the Board since September 2004 and has been the Company Secretary since September 2007. She is mainly responsible for information disclosure, investor relations and corporate governance of the Company.

◆ **A list of main positions of the Directors, Supervisors and senior management holding in shareholder entities:**

Name	Name of the entity	Position	Term
Yang Hai	Shenzhen International	Executive Director	Aug 2007-Now
Li Jing Qi	XTC Company	Director, Chairman General Manager	Jul 2002-Now/Nov 2013-Now Nov 2013-Now
	SGH Company	Chairman	Jun 2009-Now
	Shenzhen International	Executive Director/President	Mar 2000-Now/Aug 2006-Now
Zhao Jun Rong	XTC Company	Director	Jun 2009-Now
	SGH Company	Director	Jun 2009-Now
	Shenzhen International	Vice President	Jun 2007-Now
Hu Wei	XTC Company	Director	Oct 2012-Now
	Shenzhen International	Vice President	Aug 2011-Now
Tse Yat Hong	Shenzhen International	Chief Financial Officer	Jun 2000-Now
Zhang Yang	CM Huajian	Deputy General Manager	Apr 2007-Now
Zhong Shan Qun	XTC Company	Director/General Manager	Sep 2005-Now/Mar 2003-Nov 2013
	Shenzhen International	Vice President	Jun 2007-Now
He Sen	GDRB Company	Chief of Financial Control Department	Nov 2009-Now

◆ **A list of the positions of Directors, Supervisors and senior management holding in other listed companies:**

Name	Name of listed company	Position	Term
Wu Ya De	Shenzhen Fenda Technology Co., Ltd.	Independent Director	Jul 2010-Now
Li Jing Qi	CSG Holding Co., Ltd	Director	May 2000-Now
Tse Yat Hong	Casablanca Group Limited	Independent Director	Oct 2012-Now
	China Huirong Financial Holdings Limited	Independent Director	Oct 2013-Now
Zhang Yang	Sichuan Expressway Co., Ltd	Vice Chairman	Jun 2001- Apr 2013
	Jilin Expressway Co., Ltd	Vice Chairman	Feb 2010-Now
	Jiangsu Expressway Co., Ltd	Director	Nov 2007-Now
	Henan Zhongyuan Expressway Co., Ltd	Director	Nov 2009-Now
Zhang Li Min	Shenzhen Chiwan Petroleum Supply Base Co., Ltd.	Independent Director	May 2007-May 2013
	Tianjin Benefo Tejing Electric Co., Ltd.	Independent Director	Apr 2009-Now
	Shenzhen Changcheng Investment Holding Co. Ltd	Independent Director	Oct 2013-Now
Lin Chu Chang	China Zhongsheng Resources Holdings Limited	Independent Director	Apr 2012-Now

For detailed professional experience of the members of the Board and the Supervisory Committee, please refer to the website of the Company (http://www.sz-expressway.com).

Directors, Supervisors, Senior Management and Employees

III. Interests and Remuneration of Directors, Supervisors and Senior Management

During the Reporting Period, none of the Directors, the Supervisors or the senior management had held or traded the share of the Company, or had been granted incentive share option by the Company. For details of the interests of the Directors, the Supervisors or the senior management in contracts or securities of the controlling shareholder, please refer to relative contents in Chapter VI of this annual report.

The information on the remuneration receivable of the Directors, the Supervisors and senior management of the Company for 2013 is as follows:

Unit: RMB million (before tax)

		Remuneration receivable from the Company during the Reporting Period			Whether receive remuneration from shareholder entities
Name	Title	Fee	Salary [1]	Total	
Yang Hai	Chairman of the Board	N/A	0.959	0.959	No
Wu Ya De	Executive Director and the President	N/A	0.960	0.960	No
Li Jing Qi	Non-executive Director	N/A	N/A	–	Yes
Zhao Jun Rong	Non-executive Director	N/A	N/A	–	Yes
Hu Wei	Non-executive Director	N/A	N/A	–	Yes
Tse Yat Hong	Non-executive Director	N/A	N/A	–	Yes
Zhang Yang	Non-executive Director	N/A	N/A	–	Yes
Chiu Chi Cheong, Clifton	Non-executive Director	0.350	N/A	0.350	No
Wang Hai Tao	Independent Director	0.180	N/A	0.180	No
Zhang Li Min	Independent Director	0.180	N/A	0.180	No
Au Sing Kun	Independent Director	0.180	N/A	0.180	No
Lin Chu Chang	Independent Director	0.180	N/A	0.180	No
Zhong Shan Qun	Chairman of the Supervisory Committee	N/A	N/A	–	Yes
He Sen	Shareholders' Representative Supervisor	N/A	N/A	–	Yes
Fang Jie [4]	Staff Representative Supervisor	N/A	0.604	0.604	No
Li Jian [4]	Vice President	N/A	0.745	0.745	No
Zhou Qing Ming [4]	Vice President	N/A	0.759	0.759	No
Ge Fei [4]	Vice President	N/A	0.765	0.765	No
Liao Xiang Wen [4]	Vice President	N/A	0.721	0.721	No
Gong Tao Tao [4]	Financial Controller	N/A	0.761	0.761	No
Wu Xian [4]	Chief Engineer	N/A	0.772	0.772	No
Wu Qian [4]	Secretary of the Board	N/A	0.746	0.746	No
Total:				8.862	

Notes:

(1) The total amount of the fee and salary received by the Directors, the Supervisors and senior management of the Company for 2013 is RMB8.481 million.

(2) According to the plan approved at the general meeting, the Directors and the Supervisors who attended/observed any relevant meetings are entitled to receive meeting subsidies. In 2013, the meeting subsidies (after tax) receivable for Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton, Wang Hai Tao, Zhang Li Min, Au Sing Kun, Lin Chu Chang and the Supervisors Zhong Shan Qun, He Sen, and Fang Jie were RMB11,500, RMB10,000, RMB6,500 RMB7,500, RMB9,500, RMB4,500, RMB7,500, RMB10,500, RMB10,000, RMB11,000, RMB14,000, RMB9,500, RMB3,500, RMB4,500 and RMB6,500 respectively. Among them, Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong and Supervisor Zhong Shan Qun have declined the meeting subsidies receivable for the year.

(3) An employee's remuneration of the Company comprises position salary and performance bonus. In addition, pursuant to statutory requirements and the Company's regulations, employees enjoyed the statutory and company fringe benefits, including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme and the housing allowances. During the Reporting Period, Directors Yang Hai and Wu Ya De, Supervisor Fang Jie, senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian enjoyed benefits in amount of RMB162,000, RMB163,000, RMB134,000, RMB155,000, RMB158,000, RMB158,000, RMB153,000, RMB158,000, RMB156,000 and RMB156,000 respectively.

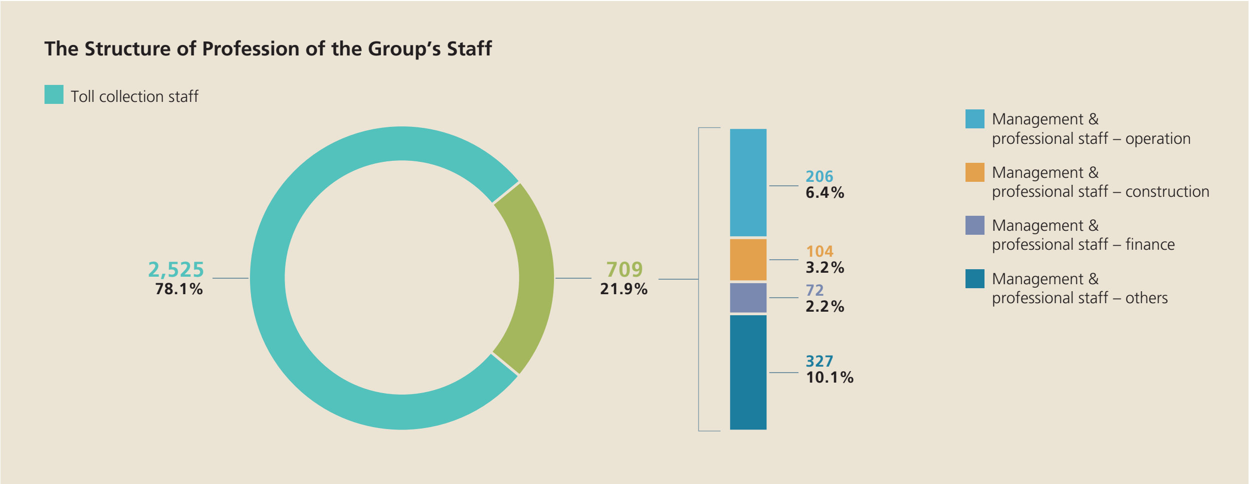
(4) According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For management members who participated in the plan, the Company will pay monthly vehicle subsidies in lieu of providing or arranging business vehicles for them. During the Reporting Period, the Supervisor Fang Jie and senior management members namely, Li Jian, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian participated in the above plan. During the Reporting Period, the aforesaid persons received vehicle subsidies of RMB43,000, RMB60,000, RMB60,000, RMB60,000, RMB60,000, RMB60,000 and RMB60,000 respectively.

For the information on the remuneration policies of the Directors/Supervisors of the Company, remuneration and benefits policies and performance evaluation and incentive system of the Company, please refer to Corporate Governance Report in Chapter IX of this annual report.

Directors, Supervisors, Senior Management and Employees

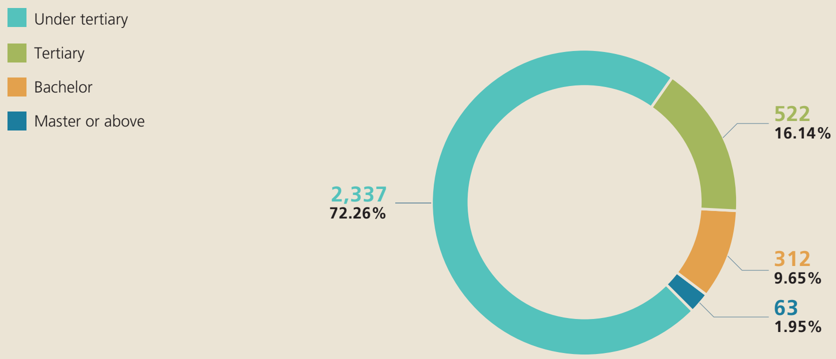
IV. Basic Information of Employees

At the end of the Reporting Period, the Group (including the Company and its consolidated subsidiaries) had 3,234 employees, of whom 1,121 were the Company's staff, while 2,113 were the subsidiaries' staff. Among the Group's staff, 2,525 were toll collection staff, representing 78.1% of total number, while 709 were management and professional staff, including staff of operation, engineering, finance and other series, representing 21.9% of the total number. The structure of profession of the Group's staff are as follows:



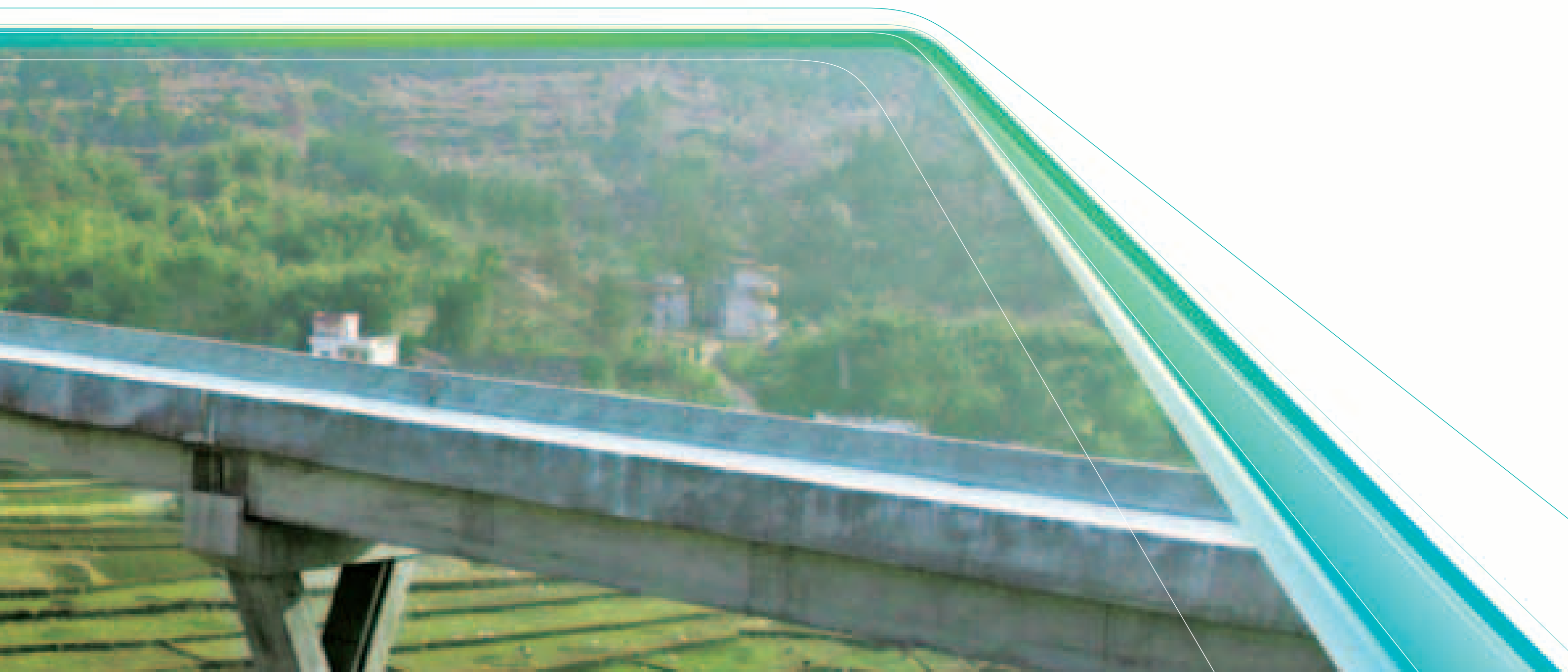
27.7% of the Group's staff held tertiary or above qualifications, of which 86.2% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff are as follows:

The Educational Level of the Group's Staff



The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2013, the Company and its departments have organised 65 training sessions, which covered all major business segments of the Company, including general management, operating management and professional skills. The training hours totalled 12,763 hours, with 1,574 person-times participation and covering staff of all levels from toll collection staff to senior management.

For details of remuneration and benefit policy, including retirement arrangement, please refer to Corporate Governance Report in Chapter IX of this annual report.



CHAPTER IX
Corporate Governance

Corporate Governance

Section 1 – Corporate Governance Report

The Company believes that sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to promoting sound governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

The Company is listed on both SSE and HKEx. We have 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. We also complied with the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules of HKEx.

In addition, for corporate governance practice, we implement better practices than the code provisions under the "Corporate Governance Code" of HKEx, mainly in the following aspects:

☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;

☑ Preparation and publication of quarterly results announcements;

☑ Establishment of the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company;

☑ Proactive establishment of the Risk Management Committee to assist the Board in formulating the risk management policy and monitoring the overall risk position for the Group;

☑ A regular assessment through the audit department was made by the Board, who was responsible for the internal control system. An external auditor was also appointed for the audit of the internal control of the financial reporting;

☑ Formulation of the "Anti-fraudulent Work Regulation" by the Board and provision of an independent channel for the audit committee to obtain information on fraudulent risk;

☑ The stipulation on the terms of office for Independent Directors of no more than 6 years;

☑ Regular publication of the Social Responsibility Report.

For details thereof, please refer to the relevant sections of this report.

The principles and practices of the corporate governance in various aspects are set out in this report:

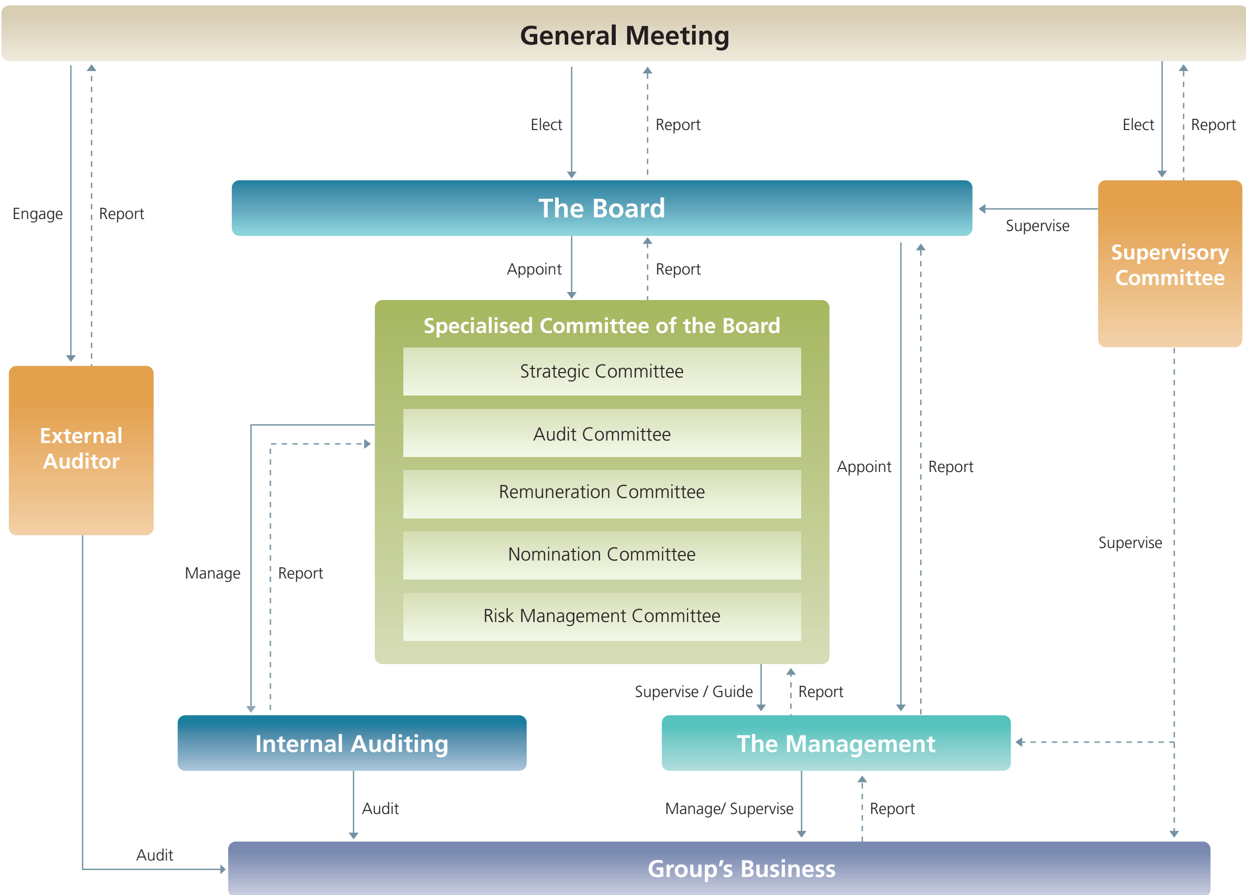
1	Governance structure & rules	2	The General Meeting & Rights	3	The Board of Shareholders	4	Directors
5	Specialised Committees of the Board	6	Supervisory Committee	7	Accountability & Administration system	8	Remunerations & incentive

I. Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management. It has formulated multi-tier governance rules based on the Articles of Association, covering overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct.

The current governance structure of the Company is shown as follows:

Governance Structure of Shenzhen Expressway



Corporate Governance

Section 1 – Corporate Governance Report

During the reporting period, a centralised revision and review on the terms of reference of each specialised committee under the Board were made by the Company. The Company also revised and improved "The Rules Governing Raised Capital Management" and "The Rules Governing Information Disclosure Matters" and its relevant guidelines on information disclosure. In addition, the Company established the Board Diversity Policy and its quantifiable objectives to enhance the corporate governance standard continuously.

The system of rules on corporate governance, the key documents on corporate governance and the development and improvement thereof during the Reporting Period are as follows:

Rules and Regulations	Name/Category of Governance Documents	Authorities for Approval
Articles of Association	Articles of Association Rules of Procedures for the Shareholders' Meeting Rules of Procedures for the Board of Directors Rules of Procedures for the Supervisory Committee	General Meetings
Codes and Guidelines on Governance	**Operation of the Board** Terms of Reference of the Strategic Committee[R] Terms of Reference of the Remuneration Committee[R] Terms of Reference of the Risk Management Committee[R] Terms of Reference of the Audit Committee[R] Terms of Reference of the Nomination Committee[R] Rules of Procedures for the Executive Directors Meeting **Rules on Performing Duties** Rules on Performing Duties by the Independent Directors Rules on Performing Duties by the President Rules on Performing Duties by the Secretary to the Board of Directors Rules on Performing Duties by the Financial Officer **Code and Standards of Conduct** Securities Transaction Code Rules Governing Connected Transactions Rules Governing Insider Information Diversity Principle of Board[N] Rules Governing Information Disclosure Matters[R] Rules Governing Investor Relationship Management Rules of the Management of Specific Expenses for the Three Meetings Rules of the Management for Selection of Independent Financial Advisors Anti-fraudulent Work Regulation Internal Auditing Work Regulation Responsibility System for Major Errors in Information Disclosure in Annual Reports	The Board / General Meetings (if necessary)
Specific Rules and Regulations	Operation Management Regime Highway Construction Management Regime Road Property Management Regime Financial Management Regime Human Resources Management Regime Administration Management Regime	The Management / The Board (if necessary)

: Available on the Company's website (only Chinese version available for some documents)

R: Documents for corporate governance amended during the Reporting Period

N: New documents for corporate governance prepared during the Reporting Period

The key documents on corporate governance of the Company have been published on the SSE and HKEx websites and can be found or downloaded in the section of "Corporate Governance" on the Company's website. During the Reporting Period, the Company was able to earnestly execute and implement various administrative requirements in respect of corporate governance.

II. The General Meeting and Rights of Shareholders

The Company encourages all shareholders to attend the general meetings. During the year 2013, a general meeting was held by the Company at the conference room of the Company. The total number of Shares entitling the shareholders and their proxies to attend and vote at the general meeting of the Company represent 65.6% of the total number of voting shares of the Company. Details of the general meeting is as follows:

Name of the meeting	Convening date	Major newspapers and websites for disclosure of resolutions	Date of disclosure on newspapers
The 2012 Annual General Meeting	15 May 2013	《Shanghai Securities News》,《Securities Times》 http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com http://www.sz-expressway-ir.com.hk (H share)	16 May 2013

The following matters were considered and approved as ordinary resolutions at the general meetings:

- The report of the Directors for the year 2012;
- The report of the Supervisory Committee for the year 2012;
- The audited financial statements for the year 2012;
- The profit distribution scheme for the year 2012;
- The budget report for the year 2013;
- The re-appointment of auditor for the year 2013.

The following matters were considered and approved as special resolutions at the general meeting:

- The grant of a general mandate to the Board to issue such financial instruments as debentures denominated in RMB;

The Company had served a notice of 45 days prior to the date of the general meeting, and provided the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter submitted to the general meeting to consider was put forth respectively as separate resolution. The Company provided detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders were familiar with the voting procedures by way of poll. A shareholder who was unable to attend the general meeting in person might appoint his or her proxy (regardless of whether the proxy was a shareholder of the Company or not) to attend and vote at the general meeting.

The Chairman of the Company attended the annual general meeting and all chairmen of the specialised committees under the Board and the representative of the auditor for the year were also arranged to attend the annual general meeting to answer enquiries from the shareholders when necessary. Details of the attendance of the Directors of the Company during the year are set out in the point IV regarding Performance of Duties by the Directors below.

According to the provisions of the Articles of Association of the Company, the qualified shareholders of the Company have the right to call general meetings in accordance with the established procedures, propose impromptu motions or collect voting rights from other shareholders. Also, a cumulative voting system is adopted for the election of the Directors and the Supervisors by the shareholders. These arrangements are made to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in detail in the "Articles of Association of the Company" and the "Rules of Procedures for the General Meetings", the schedules to the Articles. In 2013, none of the abovementioned situations had occurred during the general meeting.

At a general meeting, all shareholders are entitled to make enquiries to the Directors and the other management regarding the issues in relation to the resolutions. At any other time other than at the general meeting, the shareholders may make their enquiries or express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the shareholders and annual reports for the shareholders to express their opinions or make any enquiries. The Board has formulated the Rules of Investor Relationship Management and the Standards of Work for Investor Relationship Management, which clearly define the principles, responsible person, channel and standards of work for the communication with the shareholders. The Board keeps in touch with the shareholders in various ways. For the details of investor relationship management, please refer to Section 3 of this Chapter.

Details of matters of the Company such as total share capital, categories of shareholders, major shareholders and market value of the shares held by the public are set out in Chapter VII Share Capital and Shareholders of this Annual Report.

Corporate Governance

Section 1 – Corporate Governance Report

III. The Board

The Board exercises management and decision-making powers according to the authorities granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Group's development, ensuring the availability of necessary resources to achieve pre-set strategic goals and supervising and inspecting the Company's development and operation.

1. Composition

The Board comprises 12 Directors, of which two are Executive Directors, six are Non-executive Directors and four are Independent Directors. For details of the composition, please refer to point IV of "Directors" below. The current Board was elected by the shareholders at the Extraordinary General Meeting of the Company held in December, 2011, with a term from 1 January 2012 to 31 December 2014.

The current Board members came from various industry backgrounds with professional expertise in highway industry, project construction, accounting and auditing, finance and securities, law, property development and administration and human resources, and three of them (including one Independent Director) possess professional financial and accounting qualifications. Biographies of the Directors (including their terms, professional qualifications and principal positions) are set out in Chapter VIII of this annual report.

2. Responsibilities and Division of Work

The Chairman of the Board of the Company is Yang Hai, while the President is Wu Ya De. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals, ensuring the Board functions effectively and assuring good corporate governance practice and procedures for the Company. The President, with the support and assistance of the Board and other senior management members of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and senior management are separated (details are set out in the Articles of Association of the Company, Rules of Procedures for the Board of Directors and the Rules on performing Duties by the President) to protect the balance of power and authority and the relative independence of the Board's decision-making and operating and management activities.

3. Nomination and Appointment

In accordance with the Article of Association of the Company and its attachments, Directors are elected or replaced at general meetings. The shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointment is subject to further consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years.

The requirements on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the Rules of Procedures for the Board of Directors of the Company. The Nomination Committee is responsible for qualification inspection and quality assessment on the candidates for directorship, as well as making proposals to the Board and providing explanations to the general meetings. In order to make the shareholders clearly understanding the ways of nomination of directors, the Company has extracted the relevant clause for the ways of nomination of directors and posted it on the Company's website. In the year of 2013, there was no nomination of Directors or appointment of new Directors.

Election of the Company's previous Board has followed the principle of pluralism, in identifying and evaluating the candidates for dealings, the factors including balanced and diversified tenure, professional experience, industrial background are considered. On this basis, during the year, the Board has further cleared and improved the pluralism policy on Board members of the Company and formulated certain measurable targets to assess the implementation of the policy. Under the policy, the Board shall opt for the capability of the Director candidates during the selection, evaluation and nomination of its members. It will also consider the actual situation and development needs of the Company and the diversity principle of Board members. The Board will consider and assess the availability of diversification for a member in the aspects of age, cultural background, educational background, experience and expertise and the length of service, and authorise the Nomination Committee to oversee the implementation of policy, and when appropriate, review the policy, expand and review the measurable targets. After the review, the members of current Board embody pluralism in the aspects of experience and background, length of service, age, cultural background and independence in a better manner.

4. Procedures

In 2013, the Board convened six plenary Board meetings to discuss and make decisions on issues covering the Group's operating and financial performance, planning and supervision, business development, investment and financing plans, and rules on governance. Major issues included:

- The annual accounts and budgets; significant accounting matters and result reports for annual, interim and quarterly;
- The annual internal control assessment report; the annual social responsibility report;
- Proposed annual profit distribution;
- The proposed appointment of auditor for the year;
- Annual financing plans, proposal to issue financial instruments such as debentures denominated in RMB, pledge of assets and relevant financing plans;
- The upgrade and reconstruction of assets related to Guangdong Province Highway Network Toll, second-level development of 300 mou of land in Guilong Project and entrusted management of the share interest of Longda Company;
- Assessment of the achievement of the Group's operating performance targets for the prior year and the determination of the operating performance targets for the year;
- Implementation of the site visit comments of CSRC Shenzhen Regulatory Bureau, better the governance rules, policies and relevant management systems of the Company; etc.

The Board holds one regular meeting each quarter and convenes ad hoc meetings when necessary. The Company has issued a written notice to all Directors in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings have been dispatched to all Directors at least 14 days before the meeting is convened, while notices of ad hoc meetings have been dispatched at least 7-10 days before the meeting is convened.

If the substantial shareholder or a Director has material conflict of interest on the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorisation. When considering the related issues, any Director who is affiliated with or interested in the same do not have the voting right and shall be absent when necessary. In 2013, the related Directors complied with the Avoidance Principle and abstained from voting when the Board of the Company reviewed the unannounced information required by law to be released to controlling shareholders and the escrow of connected transactions in significant projects.

Corporate Governance

Section 1 – Corporate Governance Report

5. The Management Function

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the monitoring and management on the authorised matters through establishing a regime on procedural management, documentation and regular reviews. Specific information regarding the authorisation and management procedures has been clearly set out in the Articles of Association of the Company and the schedules to the Articles of Association (Rules of Procedures for the Board of Directors). In 2013, the Executive Directors held seven meetings, in which they discussed and made decisions on matters regarding investments, commissioned construction management, human resource management and charity donations within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

Five specialised committees have been set up under the Board, and each committee has its terms of reference which explicitly explain and define their duties and powers and they have been approved by the Board. These committees are responsible for reviewing and monitoring specific matters of the Company, such as the Company's strategies, financial reports, accounting policies, project investments and the recommendation, assessment and remuneration of the management, and make corresponding recommendations to the Board. The Chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for recording. In 2013, the five specialised committees convened 14 meetings. For details, please refer to point V of "Specialised Committees of the Board" below.

6. The Secretary to the Board

The Secretary to the Board, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific practices. In 2013, the Secretary to the Board completed a total of not less than 15 hours of related training sessions organised by the SSE, HKEx and Hong Kong Institute of Chartered Secretaries so as to keep his professional knowledge up-to-date and better support the operation of the Board.

During their respective terms of office, all Directors are able to duly obtain from the Secretary to the Board the information and updates on the relevant statutory, regulatory and other continuing obligations, and directly contact the Secretary to the Board individually and independently when necessary to obtain more information.

7. Support for Performance of Duties

During the year, the management of the Company has provided the Board and the Specialised Committees with the materials and information necessary for the consideration of each resolution. After the Board has raised enquiries, the management is able to make response or provide further information as soon as possible, so that the Board and the Specialised Committee will be able to make appropriate and scientific decisions based on a full understanding of necessary information. In addition, each Director is provided with channels to independently contact and communicate with the Company's senior management and secretaries to specialised committees when necessary.

In accordance with the Rules of Procedures for the Board of Directors and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. During the year, no Director and specialised committees proposed on his own to seek independent professional advice.

During the Reporting Period, the Company has been dispatching "Operation Information Monthly" to Directors each month, which regularly reports information such as the operation performances of the Group's highway projects, progress of construction projects, updates on invested enterprises, monitoring of the early warning of financial risks and work progress during adjournments. At the beginning of the year, the management arranged an annual working presentation to report to the Board in details the completion of projects in 2012 and the work plans for 2013. During the year, three site visits and studies were organised for the Directors to understand the progress of construction projects such as the reconstruction and expansion for Meiguan Expressway, Coastal Project, GZ W2 Expressway and Guangwu Project or operations projects, in order to get a direct and in-depth understanding of the business of the Company and its performance.

In 2013, the Directors attended three training sessions held by the Company on specific topics of prevention and control of insider dealings, investor relationship management and macroeconomics and corporate development. In addition, the Company prepared five issues of "Reference Document Summaries", seven issues of "Market New Briefings" and two issues of "Quarterly Analysis Report on Investors' Relation". It can assist the Directors to timely obtain and understand the most updated regulations and policies, market performance of the Company and the news and evaluation on the securities market and news media through the distribution of documents and lectures with written explanations.

In accordance with the approval and authorisation of the general meeting, the Company has purchased liability insurance for the Directors, the Supervisors and senior management since 2008, and purchased insurance for any legal actions that the management may face, in order to promote the stamina of the Company against risks, protect the legal rights and interests of shareholders and build the professional risk prevention mechanism of the management to create the conditions for the Company to attract more competent management talents.

IV. Directors

During the Reporting Period, the Company's Directors attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company's operation and operating development, they adequately capitalised on their respective professional experience and expertise and provided independent judgment, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work to the best interests of the Company as its objective.

1. Performance of Duties in the Year

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2013 was 100%, while attendance in person was 88%. Attendance of members in person at the meetings of the specialised committees of the Board was 91%. Attendance of members in person at the general meeting was 83%.The attendance of each Director at the Board meetings, specialised committee meetings and the general meeting during the year is showed in the following table:

	(1) Attendance in person/Total number of meeting							
Director	Board	Attendance in person at Board meetings	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	General Meeting
Executive Directors:								
Yang Hai	6/6	100%	2/2	(3) 5	(3) 2	2/2	(3) 1	1/1
Wu Ya De	(2) 5/6	83%	2/2	(3) 6	(3) 2	(3) 1	(3) 1	1/1
Non-executive Directors:								
Li Jing Qi	(2) 4/6	67%	2/2	N/A	N/A	N/A	N/A	1/1
Zhao Jun Rong	6/6	100%	(3) 2	N/A	N/A	N/A	N/A	(4) 0/1
Hu Wei	6/6	100%	(3) 2	N/A	N/A	N/A	2/2	(4) 0/1
Tse Yat Hong	(2) 4/6	67%	N/A	N/A	N/A	N/A	N/A	1/1
Zhang Yang	(2) 5/6	83%	N/A	N/A	N/A	N/A	2/2	1/1
Chiu Chi Cheong, Clifton	(2) 5/6	83%	2/2	4/6	1/2	N/A	N/A	1/1
Independent Directors:								
Wang Hai Tao	6/6	100%	(3) 1	N/A	2/2	2/2	N/A	1/1
Zhang Li Min	(2) 5/6	83%	(3) 2	5/6	2/2	N/A	N/A	1/1
Au Sing Kun	6/6	100%	(3) 2	6/6	N/A	N/A	2/2	1/1
Lin Chu Chang	(2) 5/6	83%	2/2	N/A	N/A	2/2	N/A	1/1

Corporate Governance

Section 1 – Corporate Governance Report

Notes:

(1) According to the Articles of Association of the Company, Directors who attend a meeting by way of telecommunication devices such as telephones will be deemed as attending the meeting in person. In 2013, the number of the meetings attended by way of telecommunication by Directors Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton, Zhang Li Min and Lin Chu Chang was 1, 1, 1, 1 and 3 respectively.

(2) Directors who were unable to attend meetings in person had appointed other Directors to attend and vote at the meetings on their behalf.

(3) Observed at the meeting.

(4) Directors Zhao Jun Rong and Hu Wei were unable to attend general meetings for official businesses.

2. Independent Directors and Their Independence

The Company has appointed four Independent Directors, representing one-third of the number of the Board, which complies with the relevant requirements.

The Company's Independent Directors were able to perform their duties independently. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that the current Independent Directors of the Board have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent.

In 2013, apart from attending board meetings and specialised committee meetings in a serious manner, the four Independent Directors of the Company have provided written independent letter of advice on matters such as annual review of the Company's external guarantees, profit distribution plan, changes in accounting estimates, connected transactions and continuing connected transactions and convened two meetings with the external auditor to discuss the annual audit arrangement and problems identified in the audit. During the Year, the Independent Directors gave no dissent to the matters discussed by the Board and did not propose to convene any Board meeting and general meeting or publicly collect voting rights from the shareholders.

3. Non-executive Directors

Non-executive Directors (including Independent Directors) are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors through several channels to ensure their proper performance of such duties. The Board encourages the Directors to maintain a prudent and doubtful attitude, build an open discussion atmosphere to encourage any dissenting Directors to raise their point of views, and motivate the Directors, especially Non-executive Directors to have effective contributions in the Board. In 2013, Chairman of the Board convened one meeting with Non-executive Directors and heard the independent opinions from those external Directors, shared ideas and discussed on various issues, such as the work focus and missions of the Board in the following year and issues of concern to the Directors.

4. Remunerations of Directors

The Company has been disclosing the remunerations of the Directors, the Supervisors and senior management on a named basis. For details of the policies of remunerations of Directors, the appraisals and incentive regimes for senior management and the annual remunerations of the management, please refer to the content relating to Remuneration and Incentive system in point VIII below and Chapter VIII of this annual report.

5. Securities Transactions by Directors

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 requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions by the Directors, the Supervisors and relevant staff members. The "Securities Transaction Code" of the Company has incorporated the standards as set out in under Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to certain extents.

After making specific enquiry to all of the Directors, the Supervisors and senior management, the Company confirms that all of them had complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period. Details on interests held by the Directors, the Supervisors and senior management are set out in Charpter VIII of this annual report.

6. Continuing Professional Development

In 2013, according to their own needs, the Directors of the Company participated in the specific training on the prevention and control of insider trading, investors relationship management and macroeconomics seminar held and arranged by the Company. Meanwhile, the Company also arranged some directors to participate in the training courses or seminars by Securities Regulatory Authorities. In addition, some Directors took the initiative to participate in training courses held by such professional institutions such as The Hong Kong Institute of Directors, the HKEx and law firms and provided the records of their attendance to the Company. Details for the Company's Directors to participate in training in 2013 are set out as follows:

	Training Programs attended in 2013			
Directors	Directors' liabilities of listed companies	Updates of Listing Rules and regulations	Practice of corporate governance	Financial management and related issues
Executive Directors:				
Yang Hai	✓	✓	✓	✓
Wu Ya De	✓	—	✓	—
Non-executive Directors:				
Li Jing Qi	✓	✓	✓	✓
Zhao Jun Rong	✓	—	—	—
Hu Wei	✓	—	✓	✓
Tse Yat Hong	✓	✓	✓	—
Zhang Yang	✓	—	✓	—
Chiu Chi Cheong, Clifton	—	—	—	✓
Independent Directors:				
Wang Hai Tao	✓	—	✓	—
Zhang Li Min	✓	✓	✓	—
Au Sing Kun	✓	✓	✓	—
Lin Chu Chang	✓	✓	✓	—

V. Specialised Committees of the Board

Members of the specialised committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. Other than the Strategic Committee, the chairmen of other specialised committees are held by the Independent Directors. During the Reporting Period, the composition of each committee was as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Yang Hai Executive Director	Zhang Li Min Independent Director	Wang Hai Tao Independent Director	Wang Hai Tao Independent Director	Au Sing Kun Independent Director
Members:	Wu Ya De Executive Director Li Jing Qi Non-Executive Director Chiu Chi Cheong, Clifton Non-Executive Director Lin Chu Chang Independent Director	Chiu Chi Cheong, Clifton Non-Executive Director Au Sing Kun Independent Director	Chiu Chi Cheong, Clifton Non-Executive Director Zhang Li Min Independent Director	Yang Hai Executive Director Lin Chu Chang Independent Director	Zhang Yang Non-Executive Director Hu Wei Non-Executive Director

Corporate Governance

Section 1 – Corporate Governance Report

In 2013, members of committees were able to participate in the committee affairs proactively. With the benign co-operation among the Specialised Committees, they made material contributions to enhance the efficiency and quality of the Board's decision. Details for the attendance of the committee members in committee meetings, please refer to point IV set out above of the Directors' performance on their duties. The duties of each committee in the year are set out as follows:

1. Strategic Committee

The Strategic Committee was established in November 2001. It is responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

In 2013, the Strategic Committee held two meetings, in which the committee was informed of the progress of the specific implementation of the development strategies of the Company, the initial plan and concept of the business development, and had discussions on the progress in the implementation of strategies, development of main business and the expansion into new industry.

2. Audit Committee

The Audit Committee was established in August 1999. It is mainly responsible for the independent review on the Company's financial report and the quality and efficiency of internal regulation. The Committee comprises Non-executive Directors, with the majority being Independent Directors. The Audit Committee has a mechanism in place and is entitled to convene independent meetings, and held such meetings at the request of the auditor, the management or the Audit Department, so as to ensure independence and objectivity of reporting.

In 2013, the Audit Committee held six meetings, in which auditor were invited to observe at the meeting. No independent meeting was required to be held in the year. The specific works of the Committee included:

- periodical review of the Group's financial statements, including the annual financial statements of 2012 and the unaudited financial statements for the first quarter, interim and the third quarter of 2013, and making recommendation to the Board for approval;
- assisting the Board in making independent evaluation on the effectiveness of the Group's internal control;
- supervision and guidance for the internal auditing work;
- supervision on control and routine management work of connected transactions;
- supervision and guidance for the Group's anti-fraudulent work;
- coordination and evaluation of the work of auditor and recommendations for appointments.

The Audit Committee held two meetings in early 2014 (up to the date of this report) to review the 2013 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the Committee had the opinion that the Group's 2013 financial statements truthfully and reasonably reflected the operating results for the year of 2013 and the financial position ended 31 December 2013 of the Group, and thus recommend the Board for approval.

Details for the Group's financial report, internal control and auditor are set out in point VII and Section 2 of this Chapter.

3. Remuneration Committee

The Remuneration Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for studying and examining the Company's remuneration policies and incentive regimes, devising the appraisal standards for the Directors and senior management of the Company, and conducting appraisals thereof. For the remuneration of the Directors, the Committee only made recommendations to the Board and the remuneration of the Directors and senior management shall be specifically determined in the General Meetings or by the Board. The committee will assist the Board to review the remuneration policies and incentive regime of the Company on an ongoing basis, and ensure that none of the Directors, senior management members or their associates is allowed to set his/her own remuneration.

In 2013, the Remuneration Committee held two meetings, and the major tasks completed in the year include:

- evaluating the operating performance of the management and the Executive Directors for 2012, and submitting the appraisal results and recommendation on rewards to the Board;
- reviewing the remuneration disclosure proposal for 2012 for the Directors and senior management;
- reviewing the formulation of the operating performance target of the Company for 2013 and giving the review opinions.

The Remuneration Committee held one meeting in early 2014 (up to the date of this report) to assess and evaluate the operating performance of the management and the Executive Directors for 2013, and review the annual disclosure proposal for the remunerations for the Directors and senior management and concluded that the relevant disclosure met the requirements of securities regulations. Details of the remuneration policies and incentive regime of the Company are set out in point VIII below.

4. Nomination Committee

The Nomination Committee was established in November 2001. It comprises mainly Independent Directors. It is responsible for examining or devising the Company's human resources development strategies and planning; and conducting studies and making proposals in respect of nominees, nomination criteria and nomination procedures for the Directors and senior management of the Company.

In 2013, the Nomination Committee held two meetings, the major tasks completed in the year include:

- reviewing the structure, number of members and composition of the Board;
- reviewing the diversity of the Board members of the Company and advising the Board on policy improvements;
- managing the record of the appointment and removal of the representatives of investee companies in an ongoing basis.

5. Risk Management Committee

The Risk Management Committee was established in August 2004 and comprises Non-executive Directors. The Committee is responsible for formulating policies on risk management of the Company, instructing the management to establish a risk management system, supervising the group's overall risk position, and analysing and monitoring the risk position of the Company's material projects.

In 2013, the Risk Management Committee held two meetings, and the major tasks completed in the year include:

- reviewing the annual risk report and risk management plans of the Group;
- reviewing the updates of financial warning indicator system and monitoring the material changes of the warning indicator;
- reviewing the land development resolution of the Guilong Project and advising the Board on the major risk control points and responsive measures.

6. Corporate Governance Function

The Board is responsible for the performance of its duty on corporate governance stipulated in the Corporate Governance Code. As mentioned above, the Company has in place a relatively established governance structure, formulated multi-tier governance rules and is able to timely review and improve the structure in line with the internal and external environments.

During the year, the Board regularly received reports on the reviews of the rules on governance, the compliant operation of the Company, the Directors' compliant performance of duties and the training and growth for the management, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the internal review reports for periodic reports and relevant review checklists submitted by the Audit Department, examined the periodic reports in terms of the compliance with statutory disclosure rules and completeness and accuracy of the disclosed matters and examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related issues are disclosed appropriately.

Corporate Governance

Section 1 – Corporate Governance Report

VI. Supervisory Committee

The Supervisory Committee is accountable to the shareholders' general meetings and independently exercises its supervising authority upon the Company in a lawful manner, to prevent the legal rights and interests of the shareholders, the Company and its staff from being infringed. The Articles of Association and its appendix (the Rules of Procedure for the Supervisory Committee) of the Company set out the powers and authorities of the Supervisory Committee in details.

The Supervisory Committee of the Company is composed of three supervisors, comprising two shareholders' representative supervisors and one staff representative supervisor. The current Supervisory Committee was elected by the shareholders at the extraordinary general meeting held in December 2011. The term of office of all supervisors was from 1 January 2012 to 31 December 2014. The members of the Supervisory Committee were Zhong Shan Qun (the Chairman of the Supervisory Committee and a shareholders' representative supervisor), He Sen (a shareholders' representative supervisor) and Fang Jie (a staff representative supervisor). Details for the biographies of the supervisors (including their terms of office, professional qualifications and principal positions) are set out in Chapter VIII of this annual report.

In 2013, the Supervisory Committee held five meetings, and the supervisors also attended and observed all the shareholders' meetings and Board meetings. They reviewed all resolutions of the Board meetings and shareholders' meetings, considered the matters including the annual reports, interim reports and quarterly reports of the Company, the financial accounts and budget reports, proposed profit distribution, changes in accounting estimates and connected transactions, and supervised the legality and compliance of the decision-making procedures in the shareholders' meetings and Board meetings, the implementation of the resolutions of the shareholders' meetings by the Board, the implementation of Company's profit distribution policy, the disclosures of periodic reports and other information, the performance of the duties by the directors and senior management and the implementation of relevant regulatory requirements.

During the Reporting Period, there was no incident about which the supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

During the year, the Supervisory Committee and the Board simultaneously received the resources and information required for the performance of their duties. Please refer to Point III above for the relevant content on supporting the performance of duties. Moreover, the supervisors participated in the fieldwork and research activities in relation to the Company's projects and the relevant trainings, allowing them to obtain the updated information and materials about the supervisory in order to perform their duties. Details for the supervisors participating in the trainings in 2013 are set out as follows:

	Participation in Training Programs in 2013		
Supervisors	Liabilities of a supervisor of a listed company	Practice of corporate governance	Treasury/Financial/ Managing and related issues
Zhong Shan Qun	✓	—	✓
He Sen	✓	—	—
Fang Jie	✓	✓	✓

VII. Accountability and Supervision

1. Statement of the Responsibilities towards the Financial Statements by the Board

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company's auditor for the year – PricewaterhouseCoopers Zhong Tian LLP (originally "PricewaterhouseCoopers Zhong Tian CPAs Co., Ltd.", hereinafter "PwC Zhong Tian").

This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in Auditor's Report in Chapter X of this annual report.

It is in the Board's opinion that the financial statements were prepared on a going concern basis given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and in accordance with all accounting standards as the Board deems appropriate.

It is the responsibility of the Directors to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial positions and that the financial statements are in compliance with the requirements of relevant accounting standards.

2. Financial Reporting

Under the authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During the year, the Committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the Committee include the following:

- The Committee reviewed the interim and the quarterly financial statements of the Group, heard the report on the reviewing from the auditor and discussed the handling of the significant financial and accounting matters with the management and the auditor.

- Before the annual audit began, the Committee held meetings with the auditor and discussed the composition of its audit team, risks for the year, scope of audit, method of audit and focus of audit, and the schedule for the annual audit.

- During the annual audit process, the Committee maintained an ongoing communication with the management and auditor and discusses and confirmed over the handling of the significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.

- The Committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and provided its written opinions.

In the periodical financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepare necessary documents and disclose information under the principle of as more and strict as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, in order to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Other than a deep and comprehensive analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that our business faced in operating activities, operational environment, responsive measures, development strategies and plans etc. in the annual report to enhance investors' understanding on the company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 30 days upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The information disclosed by the Board should be sufficient to allow the shareholders to assess the Company's performance, financial positions and prospects.

The Company has been complying with the principle of equal treatment of all investors, and has taken the initiative to conduct adequate and effective communication and interaction with investors to enhance mutual understanding and loyalty while observing various regulations. For details, please refer to the investor relations in Section 3 of this Chapter.

3. Internal Control

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining an internal control system of the Company for the review of the effectiveness of those important control procedures such as finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets.

The Company carried out annual reviews on the soundness and effectiveness of the internal control system of the Group and issued an internal control self-assessment report. Since 2011, the Company has been engaging an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in accordance with the requirements of the CSRC and the SSE. For details, please refer to Section 2 Internal Control of this Chapter.

Corporate Governance

Section 1 – Corporate Governance Report

4. Internal Audit and Supervision

In August 2000, the Company established the Audit Department, and has carried out an independent internal audit system and reviewed the Group's operating and management activities and the effectiveness of the internal control system since then. Internal audit personnel had the authority to access all information about the Company and made inquiries to relevant personnel at work. The General Manager of Audit Department directly reported to the Audit Committee the result of his work, and the Audit Committee would then make recommendation to the management of the Company after reviewing the result and examine the implementation of the reform plan by way of follow-up inspection. In addition, the Standards Management Department was set up by the Company as an internal quality control unit of the Company to continuously examine the compliance of the internal control system of the Group.

The Board established the Anti-fraudulent Work Regulation and specified the key areas of anti-fraudulent work and the matters including the division of labour, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and Audit Department has set up independent hotlines and email boxes for reporting any suspected cases, and posted on the internal and external websites of the Company, as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues and suspected fraud cases in connection to the Company and its staff.

5. Auditor

Upon the approval of general meeting, the Company appointed PwC Zhong Tian as the Company's auditor for the year 2013 to carry out a comprehensive audit for the annual financial statements and the internal control system and perform such duties as performed by the Company's international auditor as provided for by the Listing Rules of the Stock Exchange. PwC Zhong Tian has been appointed by the Company as its official auditor since 2004. It has been providing audit services to the Group for 10 consecutive years and has changed its endorsing certified public accountants in the year of 2006, 2008, 2009, 2011 and 2013 respectively.

The remunerations of the Company's auditor (PwC Zhong Tian and any other entities under the common control, ownership or management, including but not limited to PricewaterhouseCoopers) for the year 2013 are set out as follows:

(Unit: RMB'000)	**2013**	2012
Financial statements audit/review fees	**3,570**	3,480
Internal control audit fees	**630**	630
Others (non-audit service)	**240**	80

Note: The auditor have submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.

Save as the above-mentioned, Qinglian Company and Advertising Company, the subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP to perform financial audit services, Magerk Company, a subsidiary of the Company, engaged Wuhan Ronghua Certified Public Accountants Company Limited to perform financial audit services. The financial audit fees for the year 2013 amounted to RMB80,000, RMB25,000 and RMB180,000 respectively (2012: RMB80,000, RMB25,000 and RMB100,000).

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. According to the stipulated procedures of the Company, the Audit Committee had assessed and summarised the 2013 auditing work of PwC Zhong Tian. The Committee had the opinion that PwC Zhong Tian performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure, and the communication with the Company and proposed to re-appoint it as the Company's auditor for the year 2014.

VIII. Remuneration and Incentive Systems

1. Remuneration Policies of the Directors/Supervisors

The remuneration of the Directors and the Supervisors of the Company are determined in accordance with the relevant PRC policies/regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting upon review by the Board and the Supervisory Committee respectively. The Remuneration Committee is responsible for advising the Board on formulating the proposals in respect of the Directors' remuneration.

According to the proposed plans approved by the shareholders at the extraordinary general meeting held in December 2011, four Independent Directors and one Director who were not nominated by the shareholders in the sixth session of the Board of the Company received Directors' emoluments, and the Company would not separately determine or pay any additional emoluments to the Directors and the Supervisors who are entitled to receive management remuneration in the Company or shareholder entities. Details of the remuneration received by the Directors and the Supervisors for the year are set out in Chapter VIII of this annual report.

2. Remuneration and Benefits Policies

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefits (《薪酬福利管理程序》) of the Company. Staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined according to the market value of the position and the overall performance of the staff members, which are strategy, market and performance oriented and internally and externally impartial.

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the Housing Provident Fund Plan, and has adopted various protection plans such as medical insurance, 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 labor and social security authorities and housing provident fund management center respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2013, the Group has a total of 21 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, and there is no obligation for the Group to bear the retirement costs. For details of the remuneration and benefits for employees during the reporting period, please refer to note 5(15) to the Financial Statements in Chapter X of this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management remuneration based on their specific management positions in the Company. Monthly salaries and performance bonuses of senior management account for approximately 60% and 40% of their total remuneration respectively, of which performance bonuses are calculated based on how the annual performance targets are met by them, and are proposed or reviewed by the Remuneration Committee.

3. Performance Evaluation and Incentive System

The Board determines the Company's annual operating performance targets at the beginning of each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2013, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project plan completion ratio, new business expansion and other specific work, safety production and material risk control and employees' satisfaction.

Based on the operating performance targets approved by the Board, the Company is required to determine the annual tasks and targets for staff members of all ranks, segregate and delegate the Company's objectives to the relevant departments and staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the Executive Directors and other senior management members accordingly. The remuneration of all senior management members are subject to review by the Remuneration Committee and are required to be reported to the Board.

Corporate Governance

Section 1 – Corporate Governance Report

Currently, the Company has not yet established any long-term incentive regime or implemented any share option incentive scheme for the time being. In order to encourage the management to pay more attention on the long-term performance and strengthen the restrictive regime, the Company established a deferred payment scheme of annual bonus for the core management members by the establishment of bonus pool. The payment of their annual performance bonus shall be deferred in accordance with a certain proportion and principles. The amount deferred is to be reviewed, confirmed and paid upon completion of the proposed target so as to attract, motivate and retain the talents. In 2013, based on the completion of the proposed target, the deferred annual bonus (before tax) receivable for senior management Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao,Wu Xian and Wu Qian were RMB104,000, RMB100,000, RMB100,000, RMB118,000, RMB98,000, RMB92,000, and RMB98,000 respectively. The Remuneration Committee of the Company considers that based on the factors such as difficulty in implementation of the strategy, stimulating enthusiasm and creativity of core team as well as guiding the behavior for a long-term operation, the Company should taking into account the regulatory policies and requirements, timely conduct the research and discussion on long-term incentives.

IX. Conclusion

Both harmonious internal and external environment is essential for the sustainable and healthy development of a company. Also, a noble company practice can also help improve its competitiveness. Therefore, while providing promising rewards for shareholders, the Company is committed to being a responsible corporate citizen. Since 2009, the Company completes the preparation and publication of the annual social responsibility report before April every year, to strengthen the mutual understanding and relationship between the stakeholders and the Company, and accept supervision of society. The social responsibility report of the Company for the year 2013 was disclosed on the website of the exchanges in separate report and is available under the column of "Social Responsibility" of "Company Overview" on the website of the Company. Through the report, investors can obtain more comprehensive and detailed information and data in relation to the performance of social responsibility of the Company.

The Company's adherence to sound corporate governance principles, efforts to enhance transparency and independence of its operations and the establishment of an effective accountability system all contribute to ensure its steady development and enhance shareholders' value. The Company will continue to review and optimise its governance structure, establish various sound operational rules, and continuously improve the management efficiency and corporate governance.

By Order of the Board
Yang Hai
Chairman

Shenzhen, PRC, 19 March 2014

Corporate Governance

Section 2 – Internal Control

I. Statement of Responsibilities towards Internal Control

To develop, improve and effectively implement internal control, assess its effectiveness and accurately disclose the assessment report on the internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of internal control by the Board. The management shall be responsible for organising and leading the daily operation of the Company's internal control.

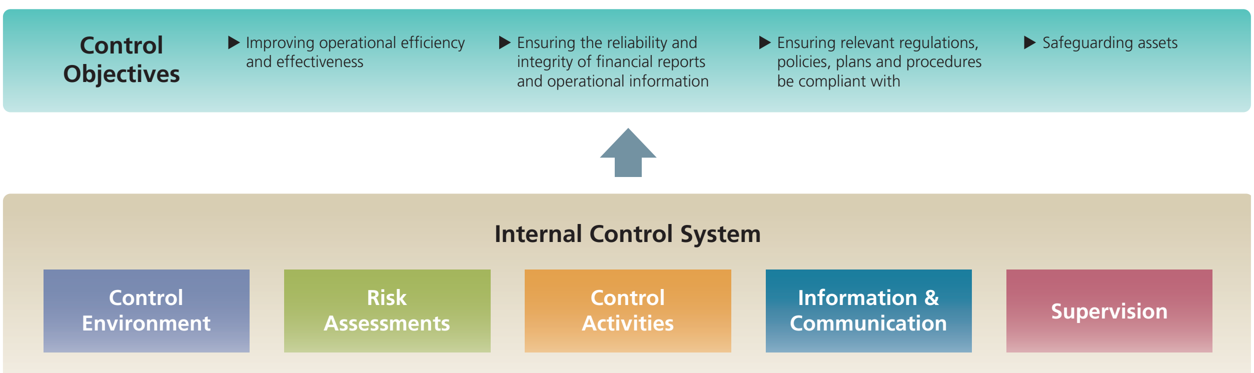
The internal control objectives of the Company are to reasonably ensure that its operations and management are in compliance with the relevant laws and regulations, its assets are managed in a sound manner, and its financial reports and relevant information are truthful and complete, to enhance its operational efficiency and results and facilitate the fulfilment of its development strategy. As the internal control bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policies or procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of internal control evaluation.

II. Establishment of the Internal Control System

The Company always focuses on the standardisation of its internal management. It has established a comprehensive management system and the practical rules for various layers of business operation in order to maintain a stable growth of the Company. Upon continuous update and improvement, the Company has now established its management documentation system including the Rules on Corporate Governance, Employee Manual, Quality Manual, Procedures Document and Work Document, covering various segments and such key management areas supporting those segments as investment, project construction, maintenance and repair, toll collection management, financial management, know-how and information management, human resources management, information disclosure management, management of investee companies and internal audit.

In 2004, the Board approved the Internal Control System of the Company, which fully summarised and illustrated the objectives, contents, measures and functions of internal control. From 2008 to 2009, in accordance with Internal Control of Enterprises-Basic Principles jointly issued by five ministries including Ministry of Finance and CSRC and the requirements set out in various internal control application guidelines, the Company appointed an intermediate company to re-organise and review in detail the operations procedures relating to controls on the corporate level, the operational level and the information technology level, with a view to further improving the control documents relating to the internal control procedures and internal control scheme design based on the existing management documentation system. Currently, the Management Manual on Internal Control for the Group has covered all key management procedures in the management documentation system. In addition, the Company formulated the Quality Control Procedures for the Assessment of Internal Control, setting out the measures for the examination of internal control and assessment for the deficiency, and format for the preparation of an assessment report and disclosure procedures for the implementation of a more systematic, scientific and objective internal control assessment.

For the establishment of the sound internal control system and the maintenance of its effectiveness, the Company has considered five major basic aspects of internal control, namely control environment, risk assessments, control activities, information and communication, and supervision.



Corporate Governance

Section 2 – Internal Control

The Company has formulated the Procedures for Risk Control and Management to define the risk assessment model and the risk evaluation criteria, and qualitative evaluation was carried out to evaluate risks from two dimensionalities, i.e. probability and impact of the risks. On preparation of the annual work plans and special plans, those risk factors that may affect the achievement of the goals were comprehensively identified and assessed by each operation department and unit of the Company, and correspondent risk response measures and annual risk management plan were formulated. The management identified material risks on the corporation level based thereon as the key area of the annual risk management, and reviewed and assessed the implementation of the risk management plan in the middle and at the end of the year. Since 2010, the Company has formulated the Management Rules on the Warning of Financial Risks (《財務風險預警管理辦法》) to regularly monitor the warning indicator system and hierarchically report the results to the management, Risk Management Committee and the Board. The Company improves its management capability and adaptability, and further ensures the realisation of the business objectives and a sustainable growth through active and systematic identification, assessment and response to risk issues occurred in the operation process.

III. The Assessment of the Internal Control Systems

Under the authorisation granted by the Board, the Audit Committee is responsible for continuous supervision and review of the soundness and effectiveness of the Company's internal control system, and reporting the same regularly. In August 2000, the Company established the Audit Department which is accountable to the Audit Committee. The Department is responsible for reviewing the Company's operating and management activities and the effectiveness of internal control system independently, and directly reporting to the Audit Committee. Through the following tasks, the Audit Committee reviews the effectiveness of the Group's financial reporting and internal control system on an ongoing basis:

- review and approve the annual Assessment Plan for Internal Control;
- keep abreast of the progress of internal control establishment and evaluation tasks through daily routines, periodical summary and reports submitted by the Audit Department;
- comprehend the method and scope of the internal control assessment tests and the key deficiencies found during the tests and their correction;
- discuss with the auditor the scope of audit, the audit results and audit opinions in respect of the audit of internal control;
- review the Assessment Report for Internal Control.

The Company formulated an Assessment Plan for Internal Control in 2013, specifying the tasks and targets for the establishment and improvement of internal control system, self-assessment and auditing. During the Reporting Period, all the main tasks progressed as scheduled.

According to the requirements of the corporate internal control standard system which is based on the Internal Control of Enterprise Basic Principles together with the Company's internal control system and method of evaluation, the Board assessed the effectiveness of the internal control on 31 December 2013 (the basis date of the assessment report) and issued the Assessment Report for Internal Control 2013 on the basis of routine supervision and specific supervision. The scope of evaluation included the Company, Meiguan Company, Jihe East Company, Qinglian Company, Magerk Company, Advertising Company, Investment Company and its subsidiaries, Mei Wah Company and Outer Ring Company, and covered main business and matters of these aforementioned companies. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Directors are of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report and the issue date of Assessment Report for Internal Control 2013, no factors that affect the conclusions on effectiveness of internal control evaluation occurred. PwC Zhong Tian appointed by the Company had audited the effectiveness of internal control relating to the financial reporting, and issued its unqualified audit opinion. Assessment Report for Internal Control 2013 and the audit report issued by auditor (Chinese version) were disclosed on the website of the exchanges and the Company in separate reports.

The purpose for the establishment of the internal control system is to manage the potential risks as it will be unrealistic to eliminate all of the risks. Meanwhile, the coverage of internal control should be in line with the Company's operating scale, business scope, competition condition and risks levels, and shall be timely adjusted to reflect the change of circumstances. It would be a persistent and continuous task to improve the internal control system, regulate the implementation of the system and strengthen the supervision and examination of the internal control.

Corporate Governance

Section 3 – Investor Relations

The Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Company establishes a smooth communication channel with investors and enhances mutual trust and interaction based on good information disclosure and initiating various investor relation activities, and respects investors' rights of knowledge and option, while asserting to reward its shareholders

I. Information Disclosure

Information disclosure is not merely an ongoing responsibility and obligation that a listed company must fulfill. Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the basic principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and listing rules, and fulfilling the information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns, so as to enhance the quality of the Company's information disclosure and to increase its transparency.

In 2013, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and released approximately 80 announcements and other shareholders' document and information disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, dividends and distribution, exchange with investors, corporate governance, operating conditions, financing arrangements and so forth. The Company acted as an industry pioneer to, on its own accord, start to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth and comprehensive analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports, in addition to information on various risks faced by the Company in its operating activities and the coping measures, with a view to strengthening investors' understanding about the operation, management, and development trends of the Company.

II. Ongoing Communication

On the basis of a competent disclosure of information, the Company also set up an Investor Relations Department to maintain an effective two-way communication with investors through various channels and convey information which investors are concerned with, so as to boost their confidence in the Company's future development. Meanwhile, the Company extensively collects feedback from the market to elevate the standards of the Company's governance and operations management.

The Company's management put an emphasis on the communication with investors. During the year, the Chairman, President, Financial Controller, Secretary of the Board and other senior management of the Company participated in the relevant investor relation activities to communicate with investors directly. In organising investor relations activities, the Company mainly adopts the following approaches:

- Making the public known the investor hotline, investor relations email box, and web-site Investors' Message section, and promptly responding to investors' enquiries. In 2013, the Company replied approximately 200 investors' enquiries through website, telephone or via email.

Investor Hotline: (86) 755 – 8285 3330
Investor Relations Email Box: ir@sz-expressway.com
Company Website: http://www.sz-expressway.com

- Properly arrange request of visit and research from the investors. During 2013, the Company received in aggregate of 17 investors' visits involving 28 visitors, with an open-minded attitude communicating with the investors, and has built up a direct communication mechanism between investors and the Company.

Corporate Governance

Section 3 – Investor Relations

- Conducting various presentation activities, including organising results presentations and press conferences, online investor meetings and non-deal road-shows as well as participating in different investor forums for face-to-face interactions with investors. Details of various presentation activities of the Company during 2013 are as follows:

March	◆	Held annual results presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised non-deal road-shows in Hong Kong
	◆	Held analyst luncheon in Shenzhen
April	◆	Held an online investor meeting
August	◆	Held interim results presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised non-deal road-shows in Hong Kong
September	◆	Organised Media Road-show
	◆	Participated in Commencement of Interactive Platform for Investor Relations and Online Group Open Day by Listed Companies in Shenzhen
October	◆	Held an online investor meeting
December	◆	Participated in "Asian Infrastructure Corporate Access Day" held by J.P. Morgan in Hong Kong

- Regularly dispatching investor e-news on the operations and development of the Group. The Company prepared and issued a total of 4 issues of E-news and 4 results presentation materials in 2013, providing information to the investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Apart from the manner of emails, 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.

- In 2013, 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.

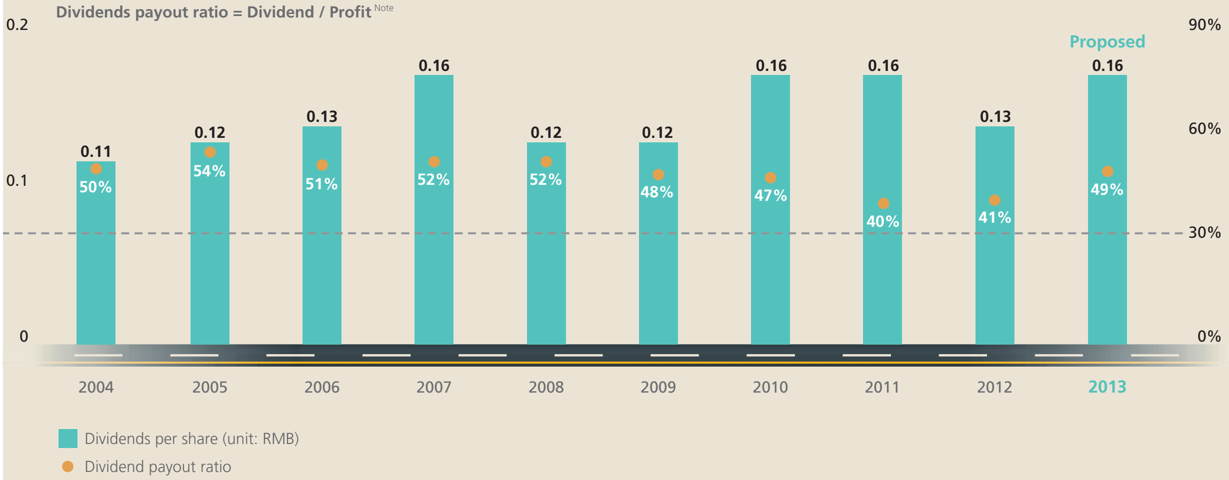
III. Shareholder Return

The Company insists in rewarding its shareholders with high return ever since its flotation, underpinned by the payment of cash dividends for sixteen consecutive years with an aggregate cash dividend payment of approximately RMB4.05 billion.

The Board of the Company recommended the payment of a cash dividend of RMB0.16 (tax included) per share for the year 2013, representing 48.5% of the earning per share. The aggregate amount of cash dividends amounts to RMB349 million. Such proposal is to be submitted to the 2013 Annual General Meeting of the Company for approval. For details, policy and payment of cash dividends of the Company, please refer to Chapter VI of this annual report.

Historical Dividend Payout Ratio

Dividends payout ratio = Dividend / Profit [Note]



Note: The dividend payout ratio was calculated based on the financial statistics of payout without taking into consideration of the effect of changes in accounting policies thereafter.

CHAPTER X
Auditor's Report and 2013 Financial Statements

Auditor's Report

pwc 普华永道

To the Shareholders of Shenzhen Expressway Company Limited

We have audited the accompanying financial statements of Shenzhen Expressway Company Limited (hereinafter 'Shenzhen Expressway Company'), which comprise the consolidated and company balance sheets as at 31 December 2013, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of Shenzhen Expressway Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

普华永道中天会计师事务所(特殊普通合伙)
PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Shenzhen Expressway Company as at 31 December 2013, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP	Certified Public Accountant: Zhou Wei Ran
Shanghai, the People's Republic of China 19 March 2014	Certified Public Accountant: Hua Jun

Consolidated Balance Sheet

As at 31 December 2013
(All amounts in RMB unless otherwise stated)

Assets	Note	31 December 2013	31 December 2012
Current assets			
Cash at bank and on hand	5(1)	**1,094,796,690.93**	1,956,056,006.44
Accounts receivable	5(2)	**495,330,807.64**	385,812,938.72
Advances to suppliers	5(4)	**134,809,901.75**	320,335,136.60
Interest receivable		**–**	2,236,957.19
Dividends receivable		**68,146.67**	–
Other receivables	5(3)	**165,948,978.57**	37,496,747.37
Inventories	5(5)	**345,018,118.72**	2,980,022.26
Other current assets		**1,755,109.55**	–
Total current assets		**2,237,727,753.83**	2,704,917,808.58
Non-current assets			
Long-term prepayments		**4,814,364.00**	–
Long-term equity investments	5(6)	**1,604,384,371.24**	1,653,743,186.99
Investment properties	5(7)	**15,253,525.00**	15,829,225.00
Fixed assets	5(8)	**1,112,824,141.67**	1,098,074,917.42
Construction in progress	5(9)	**36,340,507.58**	16,357,384.44
Intangible assets	5(10)	**17,756,263,229.13**	18,636,247,042.26
Long-term prepaid expenses		**4,650,620.40**	4,717,014.07
Deferred tax assets	5(11)	**67,848,967.06**	79,238,463.43
Total non-current assets		**20,602,379,726.08**	21,504,207,233.61
Total assets		**22,840,107,479.91**	24,209,125,042.19

Assets	Note	31 December 2013	31 December 2012
Current liabilities			
Short-term borrowings	5(12)	**450,400,000.00**	1,000,000.00
Accounts payable	5(13)	**375,719,993.22**	661,807,999.88
Advances from customers	5(14)	**18,889,050.32**	19,343,485.00
Employee benefits payable	5(15)	**104,360,502.53**	82,952,114.94
Taxes payable	5(16)	**73,910,675.99**	66,885,479.35
Interest payable	5(17)	**70,058,287.20**	102,406,437.69
Other payables	5(18)	**518,799,906.45**	416,155,154.40
Current portion of non-current liabilities	5(21)	**620,326,885.32**	2,538,991,115.62
Other current liabilities	5(20)	**1,923,817.30**	–
Total current liabilities		**2,234,389,118.33**	3,889,541,786.88
Non-current liabilities			
Long-term borrowings	5(22)	**5,257,014,000.00**	5,217,739,400.00
Bonds payable	5(23)	**3,088,801,980.40**	3,081,681,079.84
Provisions	5(19)	**206,979,215.61**	195,892,410.37
Deferred tax liabilities	5(11)	**813,937,505.37**	935,283,505.52
Derivative liabilities	5(24)	**–**	16,070,892.42
Total non-current liabilities		**9,366,732,701.38**	9,446,667,288.15
Total liabilities		**11,601,121,819.71**	13,336,209,075.03
Owners' equity			
Share capital	5(25)	**2,180,770,326.00**	2,180,770,326.00
Capital surplus	5(26)	**3,182,754,363.49**	3,181,011,501.38
Surplus reserve	5(27)	**1,681,423,475.54**	1,604,265,015.87
Undistributed profits	5(28)	**2,929,472,264.02**	2,570,439,249.07
Total equity attributable to owners of the Company		**9,974,420,429.05**	9,536,486,092.32
Minority interests	4(2)	**1,264,565,231.15**	1,336,429,874.84
Total owners' equity		**11,238,985,660.20**	10,872,915,967.16
Total liabilities and owners' equity		**22,840,107,479.91**	24,209,125,042.19

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Balance Sheet

As at 31 December 2013
(All amounts in RMB unless otherwise stated)

Assets	Note	31 December 2013	31 December 2012
Current assets			
Cash at bank and on hand		**420,707,294.65**	1,168,598,474.41
Accounts receivable	14(1)	**338,977,218.48**	340,856,332.71
Advances to suppliers		**5,524,838.14**	4,090,690.03
Interest receivable		**–**	2,236,957.19
Dividends receivable		**68,146.67**	–
Other receivables	14(2)	**655,248,023.99**	818,899,488.99
Inventories		**1,425,434.87**	1,634,514.63
Total current assets		**1,421,950,956.80**	2,336,316,457.96
Non-current assets			
Long-term prepayments		**3,016,095.00**	–
Long-term receivables	14(3)	**1,210,000,000.00**	818,333,335.01
Long-term equity investments	14(4)	**6,486,901,917.37**	6,626,238,971.59
Investment properties	5(7)	**15,253,525.00**	15,829,225.00
Fixed assets	14(5)	**557,392,774.26**	590,628,811.45
Construction in progress	14(6)	**22,671,420.10**	2,837,057.32
Intangible assets	14(7)	**4,739,650,469.50**	4,982,655,389.41
Long-term prepaid expenses		**1,219,704.41**	2,134,482.53
Deferred tax assets		**66,337,054.28**	77,553,285.95
Total non-current assets		**13,102,442,959.92**	13,116,210,558.26
Total assets		**14,524,393,916.72**	15,452,527,016.22

Assets	Note	31 December 2013	31 December 2012
Current liabilities			
Short-term borrowings	14(9)	**350,400,000.00**	–
Accounts payable	14(8)	**48,248,517.62**	86,207,026.06
Advances from customers		**1,583,333.02**	750,000.00
Employee benefits payable		**64,618,304.14**	56,868,475.27
Taxes payable		**12,129,818.10**	30,057,866.34
Interest payable		**62,922,086.97**	94,227,811.89
Other payables		**285,996,101.87**	263,316,621.65
Current portion of non-current liabilities	14(9)	**428,967,101.05**	2,372,232,167.49
Total current liabilities		**1,254,865,262.77**	2,903,659,968.70
Non-current liabilities			
Long-term borrowings	14(9)	**1,052,500,000.00**	837,462,400.00
Bonds payable	14(9)	**3,094,536,966.01**	3,088,084,219.09
Provisions	14(10)	**206,979,215.61**	195,892,410.37
Total non-current liabilities		**4,354,016,181.62**	4,121,439,029.46
Total liabilities		**5,608,881,444.39**	7,025,098,998.16
Owners' equity			
Share capital		**2,180,770,326.00**	2,180,770,326.00
Capital surplus		**2,315,587,934.74**	2,315,587,934.74
Surplus reserve		**1,681,423,475.54**	1,604,265,015.87
Undistributed profits		**2,737,730,736.05**	2,326,804,741.45
Total owners' equity		**8,915,512,472.33**	8,427,428,018.06
Total liabilities and owners' equity		**14,524,393,916.72**	15,452,527,016.22

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Consolidated Income Statement

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

	Note	2013	2012
Revenue	5(29)	**3,279,281,057.26**	3,134,623,093.04
Less: Cost of services	5(29)	**(1,526,197,293.57)**	(1,510,732,256.08)
Business tax and surcharges	5(30)	**(115,958,588.67)**	(112,772,487.10)
General and administrative expenses	5(31)	**(87,531,411.14)**	(79,968,868.64)
Selling expenses		**(183,800.00)**	–
Financial expenses – net	5(32)	**(582,277,722.43)**	(622,418,496.11)
Add: Investment income	5(33)	**185,676,580.93**	129,099,538.40
Including: share of profit of associates and joint ventures		**185,676,580.93**	129,099,538.40
Operating profit		**1,152,808,822.38**	937,830,523.51
Add: Non-operating income	5(34)	**5,775,141.66**	2,945,812.33
Including: Gains on disposal of non-current assets		**3,111,920.32**	45,150.00
Less: Non-operating expenses	5(34)	**(244,410,693.27)**	(4,357,114.10)
Including: Losses on disposal of non-current assets		**(242,851,139.89)**	(3,684,707.52)
Total profit		**914,173,270.77**	936,419,221.74
Less: Income tax expenses	5(35)	**(163,410,632.99)**	(209,836,232.08)
Net profit		**750,762,637.78**	726,582,989.66
Net profit attributable to owners of the Company		**719,691,617.00**	684,526,701.99
Minority interests	4(2)	**31,071,020.78**	42,056,287.67
Earnings per share			
Basic earnings per share	5(36)	**0.330**	0.314
Diluted earnings per share	5(36)	**0.330**	0.314
Other comprehensive income after tax	5(37)	**1,742,862.11**	(3,534,410.04)
Item that may be reclassified subsequently to profit and loss:			
Gain/(loss) of cash flow hedges – after tax		**1,742,862.11**	(3,534,410.04)
Total comprehensive income		**752,505,499.89**	723,048,579.62
Attributable to owners of the Company		**721,434,479.11**	680,992,291.95
Minority interests	4(2)	**31,071,020.78**	42,056,287.67

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Income Statement

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

	Note	2013	2012
Revenue	14(11)	**1,183,683,246.78**	1,248,823,229.72
Less: Cost of services	14(11)	**(458,096,322.44)**	(529,249,522.18)
Business tax and surcharges		**(43,319,264.02)**	(43,867,809.29)
General and administrative expenses		**(77,191,480.47)**	(70,231,214.16)
Financial expenses – net	14(12)	**(228,239,365.83)**	(273,920,783.57)
Add: Investment income	14(13)	**486,984,134.50**	443,650,835.94
Including: share of profit of associates and joint ventures		**185,676,580.93**	129,099,538.40
Operating profit		**863,820,948.52**	775,204,736.46
Add: Non-operating income		**1,074,083.08**	2,161,185.46
Including: Gains on disposal of non-current assets		**–**	25,850.00
Less: Non-operating expenses		**(873,383.69)**	(1,077,120.34)
Including: Losses on disposal of non-current assets		**(77,599.69)**	(516,641.23)
Total profit		**864,021,647.91**	776,288,801.58
Less: Income tax expenses	14(14)	**(92,437,051.26)**	(82,588,127.73)
Net profit		**771,584,596.65**	693,700,673.85
Other comprehensive income		**–**	–
Total comprehensive income		**771,584,596.65**	693,700,673.85

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Consolidated Cash Flow Statement

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

	Note	2013	2012
Cash flows from operating activities			
Cash received from rendering services		**3,169,272,156.49**	3,026,304,904.90
Cash received relating to other operating activities	5(38)(a)	**252,180,721.39**	265,059,514.15
Sub-total of cash inflows		**3,421,452,877.88**	3,291,364,419.05
Cash paid for goods and services		**(492,275,280.46)**	(572,343,917.76)
Cash paid to and on behalf of employees		**(280,742,859.97)**	(235,714,729.21)
Payments of taxes and surcharges		**(397,009,563.09)**	(498,626,190.39)
Cash paid relating to other operating activities	5(38)(b)	**(490,200,388.08)**	(454,024,914.21)
Sub-total of cash outflows		**(1,660,228,091.60)**	(1,760,709,751.57)
Net cash flows from operating activities	5(39)(a)	**1,761,224,786.28**	1,530,654,667.48
Cash flows from investing activities			
Cash received from disposal of investments		**25,839,395.60**	27,816,224.05
Cash received from returns on investments		**66,779,549.37**	58,305,012.87
Net cash received from disposal of fixed assets		**7,305,482.84**	31,451.00
Net cash received from disposal of subsidiaries and other business units		**–**	5,350,000.00
Cash received relating to other investing activities	5(38)(c)	**27,016,905.14**	32,714,872.64
Sub-total of cash inflows		**126,941,332.95**	124,217,560.56
Cash paid to acquire fixed assets and intangible assets		**(610,569,380.06)**	(545,481,158.70)
Net cash paid to acquire subsidiaries and other business units		**(16,250,000.00)**	–
Cash paid relating to other investing activities	5(38)(d)	**(5,176,756.94)**	(6,792,022.37)
Sub-total of cash outflows		**(631,996,137.00)**	(552,273,181.07)
Net cash flows from investing activities		**(505,054,804.05)**	(428,055,620.51)
Cash flows from financing activities			
Cash received from capital contributions		**–**	142,735,990.13
Including: Cash received from capital contributions by minority shareholders of subsidiaries		**–**	142,735,990.13
Cash received from borrowings		**1,506,650,000.00**	473,938,192.00
Cash received from issuance of bonds		**–**	798,400,000.00
Sub-total of cash inflows		**1,506,650,000.00**	1,415,074,182.13
Cash repayments of borrowings		**(2,681,497,280.00)**	(1,667,239,628.95)
Cash payments for interest expenses and distribution of dividends or profits		**(943,853,700.95)**	(1,054,687,978.14)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries	4(2)	**(102,935,664.47)**	(168,287,394.17)
Cash payments relating to other financing activities	5(38)(e)	**(2,686,408.95)**	(9,100,923.59)
Sub-total of cash outflows		**(3,628,037,389.90)**	(2,731,028,530.68)
Net cash flows from financing activities		**(2,121,387,389.90)**	(1,315,954,348.55)
Effect of foreign exchange rate changes on cash		**649,944.21**	(393,880.93)
Net decrease in cash	5(39)(b)	**(864,567,463.46)**	(213,749,182.51)
Add: Cash at beginning of year		**1,954,204,126.56**	2,167,953,309.07
Cash at end of year	5(39)(c)	**1,089,636,663.10**	1,954,204,126.56

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Cash Flow Statement

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

	Note	2013	2012
Cash flows from operating activities			
Cash received from rendering services		**1,183,582,711.64**	1,144,546,093.66
Cash received relating to other operating activities		**9,143,050.45**	13,523,167.92
Sub-total of cash inflows		**1,192,725,762.09**	1,158,069,261.58
Cash paid for goods and services		**(170,483,981.15)**	(96,489,863.48)
Cash paid to and on behalf of employees		**(140,634,765.68)**	(124,256,590.99)
Payments of taxes and surcharges		**(145,144,021.65)**	(231,851,356.82)
Cash paid relating to other operating activities		**(154,729,619.21)**	(245,139,141.86)
Sub-total of cash outflows		**(610,992,387.69)**	(697,736,953.15)
Net cash flows from operating activities	14(15)(a)	**581,733,374.40**	460,332,308.43
Cash flows from investing activities			
Cash received from disposal of investments		**115,817,634.09**	148,730,379.04
Cash received from returns on investments		**368,087,102.95**	372,856,310.41
Net cash received from disposal of fixed assets		**–**	25,850.00
Net cash received from disposal of subsidiaries and other business units		**–**	5,350,000.00
Cash received relating to other investing activities		**849,155,446.29**	287,333,799.89
Sub-total of cash inflows		**1,333,060,183.33**	814,296,339.34
Cash paid to acquire fixed assets and intangible assets		**(39,763,401.08)**	(113,906,704.21)
Net cash paid to acquire subsidiaries and other business units		**(16,250,000.00)**	(190,000,000.00)
Cash paid relating to other investing activities		**(892,830,793.27)**	(145,000,000.00)
Sub-total of cash outflows		**(948,844,194.35)**	(448,906,704.21)
Net cash flows from investing activities		**384,215,988.98**	365,389,635.13
Cash flows from financing activities			
Cash received from borrowings		**1,170,000,000.00**	205,000,000.00
Cash received from issuance of bonds		**–**	798,400,000.00
Sub-total of cash inflows		**1,170,000,000.00**	1,003,400,000.00
Cash repayments of borrowings		**(2,337,709,700.00)**	(1,464,464,000.00)
Cash payments for interest expenses and distribution of dividends or profits		**(546,861,344.85)**	(601,524,098.97)
Cash payments relating to other financing activities		**(2,573,812.97)**	(8,106,041.96)
Sub-total of cash outflows		**(2,887,144,857.82)**	(2,074,094,140.93)
Net cash flows from financing activities		**(1,717,144,857.82)**	(1,070,694,140.93)
Effect of foreign exchange rate changes on cash		**(3,833.27)**	(483,067.22)
Net decrease in cash	14(15)(b)	**(751,199,327.71)**	(245,455,264.59)
Add: Cash at beginning of year		**1,166,746,594.53**	1,412,201,859.12
Cash at end of year	14(15)(c)	**415,547,266.82**	1,166,746,594.53

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

	Attributable to owners of the Company					
Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Minority interests	Total owners' equity
Opening balance on 1 January 2012	2,180,770,326.00	3,184,545,911.42	1,534,894,948.48	2,304,205,866.63	1,292,970,637.65	10,497,387,690.18
Movements for the year ended 31 December 2012						
Total comprehensive income						
Net profit	–	–	–	684,526,701.99	42,056,287.67	726,582,989.66
Other comprehensive income	–	(3,534,410.04)	–	–	–	(3,534,410.04)
Capital contribution	–	–	–	–	142,735,990.13	142,735,990.13
Profit distribution						
Appropriation to surplus reserves	–	–	69,370,067.39	(69,370,067.39)	–	–
Profit distribution to equity owners	–	–	–	(348,923,252.16)	(141,333,040.61)	(490,256,292.77)
Ending balance on 31 December 2012	2,180,770,326.00	3,181,011,501.38	1,604,265,015.87	2,570,439,249.07	1,336,429,874.84	10,872,915,967.16
Opening balance on 1 January 2013	**2,180,770,326.00**	**3,181,011,501.38**	**1,604,265,015.87**	**2,570,439,249.07**	**1,336,429,874.84**	**10,872,915,967.16**
Movements for the year ended 31 December 2013						
Total comprehensive income						
Net profit	**–**	**–**	**–**	**719,691,617.00**	**31,071,020.78**	**750,762,637.78**
Other comprehensive income	**–**	**1,742,862.11**	**–**	**–**	**–**	**1,742,862.11**
Profit distribution						
Appropriation to surplus reserves	**–**	**–**	**77,158,459.67**	**(77,158,459.67)**	**–**	**–**
Profit distribution to equity owners	**–**	**–**	**–**	**(283,500,142.38)**	**(102,935,664.47)**	**(386,435,806.85)**
Ending balance on 31 December 2013	**2,180,770,326.00**	**3,182,754,363.49**	**1,681,423,475.54**	**2,929,472,264.02**	**1,264,565,231.15**	**11,238,985,660.20**

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Statement of Changes in Owners' Equity

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
Opening balance on 1 January 2012	2,180,770,326.00	2,315,587,934.74	1,534,894,948.48	2,051,397,387.15	8,082,650,596.37
Movements for the year ended 31 December 2012					
Total comprehensive income					
Net profit	–	–	–	693,700,673.85	693,700,673.85
Profit distribution					
Appropriation to surplus reserves	–	–	69,370,067.39	(69,370,067.39)	–
Profit distribution to equity owners	–	–	–	(348,923,252.16)	(348,923,252.16)
Ending balance on 31 December 2012	2,180,770,326.00	2,315,587,934.74	1,604,265,015.87	2,326,804,741.45	8,427,428,018.06
Opening balance on 1 January 2013	**2,180,770,326.00**	**2,315,587,934.74**	**1,604,265,015.87**	**2,326,804,741.45**	**8,427,428,018.06**
Movements for the year ended 31 December 2013					
Total comprehensive income					
Net profit	**–**	**–**	**–**	**771,584,596.65**	**771,584,596.65**
Profit distribution					
Appropriation to surplus reserves	**–**	**–**	**77,158,459.67**	**(77,158,459.67)**	**–**
Profit distribution to equity owners	**–**	**–**	**–**	**(283,500,142.38)**	**(283,500,142.38)**
Ending balance on 31 December 2013	**2,180,770,326.00**	**2,315,587,934.74**	**1,681,423,475.54**	**2,737,730,736.05**	**8,915,512,472.33**

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

Legal representative: **Yang Hai** *Chief Financial Officer:* **Gong Taotao** *Head of accounting department:* **Sun Bin**

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

1 GENERAL INFORMATION

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 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.

The address of the registered office and head office of the Company is 2-4/F, JiangSu Building, Yitian Road, Futian District, Shenzhen, the PRC.

Shenzhen International Holdings Limited ('Shenzhen International') is the parent company of the Company and Shenzhen Investment Holdings Company Limited ('SIHCL') is the ultimate controlling company of the Company.

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.

These financial statements have been approved for issue by the Company's Board of Directors on 19 March 2014.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(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, the Application Guidance for Accounting Standards for Business Enterprises, the Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued (hereafter collectively referred to as 'the Accounting Standards for Business Enterprises' or 'CAS') 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 (2010 revised) issued by the China Securities Regulatory Commission.

In 2014, the Ministry of Finance issued 'Accounting Standards for Enterprises No. 39 – Fair value measurement', 'Accounting Standards for Enterprises No. 40 – Joint Arrangement', 'Accounting Standards for Enterprises No. 9 – Employee Benefits' (Revised in 2014), 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014) and 'Accounting Standards for Enterprises No. 33 – Consolidated Financial Statements' (Revised in 2014). The effective date of the above standards is 1 July 2014 and early adoption by enterprises with shares listed overseas is encouraged. Since the Company is a listed company with both A shares and H shares, the Company has early adopted the above standards when preparing the financial statements for the year ended 31 December 2013. For details please refer to Note 2(28).

(2) Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements of the Company for the year ended 31 December 2013 are in compliance with the Accounting Standards for Business Enterprises, and truly and completely present the consolidated and Company's financial position as of 31 December 2013 and their financial performance, cash flows for the year then ended.

(3) Accounting year

The accounting year starts on 1 January and ends on 31 December.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(4) Functional currency

The functional currency of the Company is Renminbi (RMB).

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. 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 recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

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 recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. 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 recognised amounts of the equity or debt securities.

(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, come under common control of the ultimate controlling party. The portion of the net profit realised before the combination date is presented separately in the consolidated income statement.

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. Owners' equity of subsidiaries, profit or loss and comprehensive income not attributable to the Company are recorded as minority interests, profit or loss attributable to minority shareholders comprehensive income attributable to minority shareholders, respectively, and are presented separately within the items of owners' equity, net profit and total comprehensive income in the consolidated financial statements.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call deposits with banks and short-term and 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 recognised 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 capitalised 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

(a) Financial assets

(i) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, 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 and receivables.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term.

Receivables

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

(ii) Recognition and measurement of financial assets

Financial assets are recognised at fair value on the balance sheet 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 are subsequently measured at fair value. 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) Recognition and measurement of financial assets (continued)

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.

(iii) 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.

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.

Objective evidence indicating a financial asset is impaired represents matters actually happen subsequently to the initial recognition of the financial assets and exert influences the financial assets' estimated future cash flows which can be reliably measured by the Group.

(iv) Derecognition of financial assets

A financial assets 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; (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.

(b) Financial liabilities

(i) 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.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (continued)

(b) Financial liabilities (continued)

(ii) 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.

(c) 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 an appropriate valuation technique that is applicable to current circumstances and supported by sufficient available data and other information. Valuation techniques mainly include market approach and income approach. When applying valuation techniques, inputs used by market participants in the transactions of the assets or liabilities with similar characteristics would be used and observable inputs would be given priority to the extent possible. Unobservable inputs would only be used when it is impossible or impracticable to obtain relevant observable inputs.

(d) Cash flow hedge

Cash flow hedge refers to a hedging of the risk to changes in cash flow. Such changes in cash flow are attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction and could affect profit or loss.

The hedged items of cash flow hedge are the designated items with respect to the risks associated with future cash flow change of the Group. Hedging instruments are designated derivative for cash flow hedge whose cash flows are expected to offset changes in the cash flows of a hedged item.

The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months.

The Group documents its assessments, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in cash flows of hedged items (e.g., whether the actual offsetting result of the hedge falls in the range from 80% to 125%). The Group applies ratio analysis method to evaluate the ongoing effectiveness of the cash flow hedge.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (continued)

(d) Cash flow hedge (continued)

The effective portion of changes in the fair value of derivatives that are designated and qualified as cash flow hedges are recognised in other comprehensive income as a separate item. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss for the current period.

Amounts accumulated in equity are reclassified to the profit and loss in the periods when the hedged item affects profit or loss. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset, the gains and losses previously deferred in equity are transferred from equity and included in the initial measurement of the cost of the non-financial asset.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement.

(10) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from rendering of services are initially recognised at fair value of the contractual payments from service recipients.

(a) 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 made.

For accounts receivable, the criteria for 'individually significant' is that the amount exceeds RMB5,000,000.00; for other receivables, the criteria for 'individually significant' is that the amount exceeds RMB1,000,000.00.

Bad debt provision for receivables that are individually significant is determined at the difference between the carrying amount and the present value of the estimated cash flows.

(b) Receivables that are subject to provision by groups

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.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(10) Receivables (continued)

(b) Receivables that are subject to provision by groups (continued)

Basis of grouping:

Group 1	Receivables from government and related parties
Group 2	Receivables from other third parties

Methods of collective assessment with provisioning percentage as below:

Group 1	Other method
Group 2	Ageing analysis method

The provision ratios used under the ageing analysis method are as follows:

	Provisioning percentage applied for accounts receivable	Provisioning percentage applied for other receivables
Within 3 years	No provision	No provision
Over 3 years	100%	100%

Ratios used in other method amongst aforesaid groups are as follows:

Name of the group	Explanation
Group 1	No provision for receivables from government and related parties unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

(c) Receivables that are not individually significant but subject to 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 is determined based on the difference of the carrying amount and present value of estimated future cash flows.

(11) Inventories

(a) Classification

Inventories include purchased land use right with related taxes and fees, toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realisable value.

(b) Costing of inventories

Cost of land use right purchased with related taxes and fees is determined using the specific identification method. Cost of toll tickets, low value consumables, maintenance and repair parts and materials in stock is determined using the weighted average method.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(11) Inventories (continued)

(c) 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 make the sale and related taxes.

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables

Low value consumables are expensed when issued.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries, the Group's long-term equity investments in its joint ventures and associates, as well as the long-term equity investments where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured.

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 ventures and the Group enjoys the rights only on the net assets of investees. 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. Other long-term equity investments, where the Group does not have control, joint control or significant influence over the investees and which are not quoted in an active market and whose fair value cannot be reliably measured, are accounted for using the cost method.

(a) Determination of investment cost

For long-term equity investments acquired through a business combination: for long-term equity investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination cost.

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 year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(12) Long-term equity investments (continued)

(b) Subsequent measurement

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 included in profit or loss and the cost of the long-term equity investment is adjusted upwards 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. If the accounting policies and the accounting periods are inconsistent between the Company and investees, the financial statements of investees are adjusted in accordance with the accounting policies and accounting period of the Company. The Group discontinues recognising its share of net losses of an investee after the carrying amount 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, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount 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 recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(c) Basis for determination of the existence of control, joint control or significant influence over the investee

Control is the power over the investee to enjoy variable returns by participating in related activities of the investee and the ability to affect the return amount by executing the power over the investee.

Joint control is the sharing of control over an arrangement according to related agreement, and exists only when the decisions relating to the activity of the arrangement require the unanimous consent of the parties sharing control.

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

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, joint ventures and associates is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)). For other long-term equity investments which are not quoted in an active market and whose fair value cannot be reliably measured, the excess of its carrying amount over the present value of future cash flows discounted at the prevailing market yield rate for similar financial assets is recognised as impairment loss and cannot be reversed once recognised.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(13) Investment properties

Investment properties, principally comprising buildings that are held for the purpose of lease, 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 subsequent measurement of the 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 lives	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 2(19)).

(14) Fixed assets

(a) 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 value 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.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(14) Fixed assets (continued)

(b) 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.

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates are as follows:

	Estimated useful lives	Estimated residual value rate	Annual
Buildings			
– Office building	20-30 years	5%	3.17%-4.75%
– Temporary house	10 years	5%	9.50%
– Structure	15 years	5%	6.33%
Traffic equipment	8-10 years	5%	9.50%-11.87%
Motor vehicles	5-6 years	5%	15.83%-19.00%
Office and other equipment	5 years	5%	19.00%

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

(c) Impairment of fixed assets

The carrying amount of fixed assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(d) Disposal of fixed assets

A fixed asset is derecognised 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 carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(15) Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(16) 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 of acquisition and construction for its intended use commence to be capitalised 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 capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(16) Borrowing costs (continued)

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation 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 capitalisation period.

For the general borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation is determined by applying the weighted average effective interest rate of general borrowings used, to 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.

(17) Intangible assets

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

(a) 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, which comprises construction related costs and borrowing costs that are eligible for capitalisation and incurred before the toll roads are ready for their intended use. The concession intangible assets are first stated at actual project costs or budget costs and then adjusted when project completion audit is finalised.

The concession intangible assets relating to the toll roads injected by the state-owned shareholders on 1 January 1997 were stated at valuation costs, which were valued by the asset valuation firms and certified by the State-owned Assets Supervision and Administration Bureau 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 was stated at revaluation cost admitted by State-owned Assets Supervision and Administration Bureau on 30 June 1996. The land-use right relating to Meiguan Expressway owned by the subsidiary, Shenzhen Meiguan Expressway Company Limited ('Meiguan Company'), was injected by Xin Tong Chan Development (Shenzhen) Company Limited ('Xin Tong Chan Company'), one of the promoters of the Company, at value specified in related investment agreement.

When toll roads are ready for their intended use, amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis ('unit usage), whereby amortisation is provided based on the proportion of actual traffic volume of a particular period over the total projected traffic volume throughout the operation periods.

The Company performs an internal assessment of the total projected traffic volume annually. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies when material difference exists or every 3 to 5 years and then prospectively adjust the unit usage according to the revised total projected traffic volume, to ensure that the related concession intangible assets would be fully amortised in the operation periods.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) INTANGIBLE ASSETS (CONTINUED)

(a) Concession intangible assets (continued)

Respective operating period and unit usage of the toll roads are set out as follows:

Item	Operating period	Unit usage (RMB)
Yanba Expressway	note 1	3.98 (note 1)
Yanpai Expressway	May 2006 to March 2027	1.49
Meiguan Expressway	May 1995 to March 2027	3.18 (note 2)
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	1.22
Nanguang Expressway	January 2008 to January 2033	4.22 (note 3)
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	4.54
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	25.36 (note 4)
National Highway No. 107 (Qinglian Section)	September 1995 to June 2013	35.36 (note 5)

note 1: The Company adjusted the unit usage of Yanba Expressway from RMB3.60 to RMB3.74 according to its revised total projected traffic volume from 1 July 2013 on a prospective basis (Note 2(30)).

The Sections A, B and C of Yanba Expressway started to operate from April 2001, July 2003 and March 2010, respectively. Previously, the Company applied the period of 30 years counted from the completion date of Section A of Yanba Expressway to calculate the unit usage of Yanba Expressway. According to the 'Reply to the toll collection periods of projects including Shantou-Jieyang Expressway' (the 'Reply') issued by the General Office of the People's Government of Guangdong Province in late December 2013, the approved toll collection period for each section of Yanba Expressway is 25 years counted from completion date of respective sections. Meanwhile, the Company performed completion final accounts on Yanba Expressway in late December 2013 and adjusted the costs of the concession intangible assets of Yanba Expressway accordingly. The Company adjusted the unit usage of Yanba Expressway from RMB3.74 to RMB3.98 from 1 January 2014 on a prospective basis according to the approved toll collection periods sent out by the Reply and adjusted costs of concession intangible assets.

note 2: The Reconstruction and Expansion of Meiguan Expressway Project was completed on 30 November 2013. The Company adjusted the unit usage of Meiguan Expressway from RMB1.48 to RMB3.18 from 1 December 2013 on a prospective basis according to the adjusted costs of concession intangible assets.

note 3: The Company adjusted the unit usage of Nanguang Expressway from RMB3.68 to RMB4.22 according to its revised total projected traffic volume from 1 July 2013 on a prospective basis (Note 2(30)).

note 4: The Company adjusted the unit usage of Qinglian Expressway from RMB33.04 to RMB25.95 according to its revised total projected traffic volume from 1 July 2013 on a prospective basis (Note 2(30)).

In addition, the Company performed completion final accounts on Qinglian Expressway in late December 2013 and adjusted the costs of the concession intangible assets of Qinglian Expressway accordingly. The Company adjusted the unit usage of Qinglian Expressway from RMB25.95 to RMB25.36 from 1 January 2014 on a prospective basis according to the adjusted costs of concession intangible assets.

note 5: The original approved toll collection period of National Highway No. 107 (Qinglian Section) will send in September 2028. Pursuant to a notice issued by Guangdong Provincial Transportation Department (Yue Jiao Ming Dian (2013) No. 56) in 2013, National Highway No. 107 (Qinglian Section) ceased its toll collection from 24:00 on 30 June 2013. For details please refer to Note 5(10).

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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(17) INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Billboard use rights are amortised on the straight-line basis over their approved useful lives of 5 years. Purchased software is amortised on the straight-line basis over their contracted useful lives of 5 years.

(c) 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.

(d) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

(18) Long-term prepaid expenses

Long-term prepaid expenses include the prepaid expenditures that have been made but should be recgonised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(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 date. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised 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 carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

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

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(20) Employee benefits

Employee benefits mainly include all kinds of remuneration such as wages, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds and employee education incurred in exchange for service rendered by employees or compensation to the termination of employment relationship.

(a) Short-term wages

Actual short-term wages are recognised as liabilities in the periods when the employees render services and are charged into profit or loss or capitalised in costs of related assets. The non-monetary welfare is measured at fair value.

(b) Basic pension insurance

The Group's employees participated in the basic social pension insurance organised and implemented by local labour 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, local labour 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 recognised as liabilities during the periods when the employees render services and are charged to profit or loss or capitalised in costs of related assets.

(c) The compensation for the termination of employment relationship

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 recognised as a liability and charged to profit or loss on the earlier one when (i) the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and (ii) costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognised.

(21) Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved by the shareholders' meeting.

(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 recognised 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 increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(23) Convertible bonds

The convertible bonds are split into liability and equity component at initial recognition. The liability component is determined as the discounted amount of future cash flows, and the equity component is determined as proceeds less liability component. The transaction costs incurred on the issue of the convertible bonds are allocated between the liability component and equity component based on the proportion of their amounts at initial recognition. The liability amount of the convertible bonds is measured at amortised cost using the effective interest method.

(24) 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 recognised when the economic benefits associated with 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:

(a) The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.

(b) For construction management services income, when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.

(c) For the service concessions contracts entered with the government departments, according to which the Group participates the developing, financing, operating and maintenance of toll road constructions, the Group recognised revenue and cost of services with the percentage of completion method during the construction period if the Group conducts the construction work on its own. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the settlement date as a percentage of total estimated costs for each contract. No construction services income would be recognised if the Group sub-contracts the work out to other parties.

(d) Advertising revenue is recognised on a straight-line basis over the contract period.

(e) 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.

(f) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

Government grants related to assets are recognised as deferred income and evenly included in profit or loss over the useful period of related assets. Government grants measured at their nominal amounts shall be directly included in the profits and losses.

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

(26) Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised 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 realised or the liability is settled.

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

Deferred tax liabilities are recognised 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 profit will be available in the future against which the temporary differences can be utilised, the corresponding deferred tax assets are recognised.

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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(27) 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 financial position, operating results and cash flows 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.

(28) Changes in significant accounting policies

Details and reasons for changes of accounting policies	Procedures for approval	Financial statement items affected	Amount affected
(a) Employee benefits			
As stated in Note 2(1), the Group early adopted 'Accounting Standards for Enterprises No. 9 – Employee Benefits' (Revised in 2014) issued by Ministry of Finance in 2014. This change in accounting policy does not have any impact on the Group's measurement and disclosure of employee benefits in the financial statements for 2013.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 19 March 2014.	None	–
(b) Presentation of financial statements			
As stated in Note 2(1), the Group early adopted 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014)' issued by Ministry of Finance in 2014 and the comparative financial statement figures have been adjusted accordingly.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 19 March 2014.	Other comprehensive income	Other comprehensive income for the year ended 31 December 2013 and 2012 amounting to RMB1,742,862.11 and RMB3,534,410.04, respectively, were included in 'Item that may be reclassified subsequently to profit and loss'.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(28) Changes in significant accounting policies (continued)

Details and reasons for changes of accounting policies	Procedures for approval	Financial statement items affected	Amount affected
(c) Fair value measurements As stated in Note 2(1), the Group early adopted 'Accounting Standards for Enterprises No. 39 – Fair value measurement' issued by Ministry of Finance in 2014. Certain disclosures in relation to fair value have been included in the financial statements for the year ended 31 December 2013 according to this standard. No adjustment to the disclosure in the comparative financial statements is required according to this standard.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 19 March 2014.	Not applicable	Not applicable
(d) Consolidated financial statements and joint arrangement As stated in Note 2(1), the Group early adopted 'Accounting Standards for Enterprises No. 33 – Consolidated Financial Statements' (Revised in 2014) and 'Accounting Standards for Enterprises No. 40 – Joint Arrangement' issued by Ministry of Finance in 2014. These changes in accounting policies do not have any impact both on the Group's financial statements for 2013 and the comparative financial statements.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 19 March 2014.	None	–

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(29) Critical accounting estimates and judgments

The Group continually 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.

(a) Amortisation of concession intangible assets

As stated at Note 2(17)(a), 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 should there be 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 and make an appropriate adjustment if there is a material difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies to its main toll roads in 2006, 2010 and 2013 and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

(b) Provisions for maintenance/resurfacing obligations

As stated at Note 2(22), the Group has contractual obligations under the service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrading services, are to be recognised 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 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.

(c) Impairment of concession intangible assets

According to the accounting policy stated in Note 2(19), concession intangible assets are tested by the Group for impairment if there is any indication that the assets may be impaired at the balance sheet date.

On the first half of 2013, based on the request by the Ministry of Transportation together with National Development and 'A letter in relation to accelerate the special clean-up and rectification work of toll roads'(Jiao Han Gong Lu (2013) No.110) issued by the Ministry of Finance, Hubei Province Price Bureau announced that a hearing will be held in accordance with the related laws and administrative regulations to discuss the proposed downward adjustment of the toll rates of Wuhuang Expressway. As at the date of approval of these financial statements, the hearing has not been held. The Company performed an impairment test for Wuhuang Expressway based on the best estimation of the amount of downward adjustment to the toll rates and considered that the recoverable amount would be able to cover its carrying value. The assessment of the Company relied on the best estimation of projected traffic volume and price adjustment to be made for Wuhuang Expressway. Should there be a material difference between the projected traffic volume as well as estimated price adjustment and the actual results, a change of accounting estimate will be made.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(29) Critical accounting estimates and judgments (continued)

(c) Impairment of concession intangible assets (continued)

As stated in Note 2(17)(a), according to the Reply issued by the General Office of the People's Government of Guangdong Province in late December 2013, the approved toll collection period for each section of Yanba Expressway is 25 years from completion date of respective sections. The Company performed an impairment test for Yanba Expressway according to the approved toll collection periods and considered that the recoverable amount would be able to cover its carrying value. The assessment of the Company relied on the best estimation of projected traffic volume of Yanba Expressway. Should there be a material difference between the projected traffic volume and the actual results, a change of accounting estimate will be made.

(d) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. There are many 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 recognises 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 utilised. 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.

(30) Changes in accounting estimates

The actual traffic volumes of Nanguang Expressway, Yanba Expressway and Qinglian Expressway largely differed from the traffic volumes forecasts during their early construction and operating periods. As the surrounding road networks of these expressways become more and more stable recently, the difference between the actual traffic volumes and the previous traffic volumes would probably endure. The Company appointed an independent professional traffic consultant to reassess the future traffic volumes of the aforesaid expressways. The Group adjusted the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 July 2013 on a prospective basis, which was approved by the Board of Directors of the Company on 16 August 2013. Such change in accounting estimates impacts the financial statement items for the year 2013 as follows:

	Impact to the year ended 31 December 2013
Increase in intangible assets	23,076,977.13
Increase in deferred tax liabilities	7,283,117.05
Decrease in tax payable	1,513,872.77
Increase in minority interests	5,163,001.68
Decrease in cost of services	23,076,977.13
Increase in income tax expenses	5,769,244.28
Increase in net profit attributable to minority shareholders	5,163,001.68
Increase in net profit attributable to owners of the Company	12,144,731.17

3 TAXATION

The main categories and tax rates applicable to the Group are set out below:

Category	Tax base	Tax rate
Corporate income tax ('CIT')	Taxable income	(i)
Business tax	Revenue from expressway toll road business	3%
Business tax	Revenue from other non-expressway toll road business	5%
Business tax	Taxable revenue from construction projects and management services	3%
City maintenance and construction tax	Amount of business tax paid	7%
Educational surcharge	Amount of business tax paid	3%
Local educational surcharge	Amount of business tax paid	2%
Construction fee for country culture development (ii)	Amount of revenue	3%
Value added tax ("VAT") (iii)	Taxable advertising revenue	6%

(i) CIT

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

	Applicable rate
The Company	25%
Shenzhen Expressway Advertising Company Limited ('Advertising Company')	25%
Meiguan Company	25%
Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited ('Airport-Heao Eastern Company')	25%
Guangdong Qinglian Highway Development Company Limited ('Qinglian Company')	25%
Mei Wah Industrial (Hong Kong) Limited ('Mei Wah Company')	25%
Maxprofit Gain Limited ('Maxprofit Company')	25%
Shenzhen Outer Ring Expressway Investment Company Limited ('Outer Ring Company')	25%
Jade Emperor Limited ('JEL Company')	25%
Hubei Magerk Expressway Management Private Limited ('Magerk Company')	25%
Shenzhen Expressway Investment Company Limited ('Expressway Investment Company')	25%
Guizhou Guishen Investment and Development Company Limited ('Guishen Company')	25%
Guizhou Shenzhen Expressway Landholding Company Limited ('Landholding Company')	25%
Guizhou Shengbo Landholding Company Limited ('Shengbo Company')	25%
Guizhou Pengbo Investment Company Limited ('Pengbo Company')	25%
Guizhou Yuelong Investment Company Limited ('Yuelong Company')	25%

According to the CIT Law and relevant regulations, the CIT rate applicable to Qinglian Company, the subsidiary of the Company, will be gradually increased to 25% over a five-year period from 2008 to 2012. According to the Reply Letter of Qing Guoshuifa (1997) No.072, Qinglian Company is exempt from CIT for two years commencing from its first year of profitable operation after offsetting prior years' tax losses, followed by a 50% reduction for the next three years. According to Guofa (2007) No.39 issued by State Council, Qinglian Company started to enjoy this preferential policy in 2008 and accordingly its applicable CIT rate of 2013 is 25% (2012: 12.5%).

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

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

3 TAXATION (CONTINUED)

According to the Notice of Tax Matters ('Long Di Shui (2013) No.91') issued by Local Tax Bureau of Longli County, Guizhou Province in 2013, Guishen Company, the subsidiary of the Company, is entitled to CIT verification collection method for the period from 1 August 2013 to 31 December 2013 and the taxable income is calculated at 8% of total revenue for the period from 1 August 2013 to 31 December 2013.

(ii) Advertising Company is obligated to pay construction fee for country culture development which is calculated at 3% on its revenue.

(iii) According to Caishui (2012) No.71, 'Notice on the Implementation of the VAT Pilot Reform in Beijing and other 7 Regions of China' issued by the Ministry of Finance and the State Administration of Taxation, Advertising Company is obligated to pay VAT which is calculated at 6% on its advertising revenue generated from 1 November 2012.

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Background of subsidiaries

(a) Subsidiaries acquired through incorporation are analysed as follows:

	Type	Place of registration	Place of main business	Nature of business and principal activities	Registered capital	Bonds issued	Scope of business	Nature	Legal representative	Code of organisation
Outer Ring Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	100,000,000	–	Construction, operation and management of the Shenzhen section of Shenzhen Outer Ring Expressway	Limited liability company	Wu Ya De	55543683-6
Expressway Investment Company	Direct and indirect holding	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	400,000,000	–	Industrial investment and project construction	Limited liability company	Ge Fei	440304-180904
Guishen Company	Indirect holding*	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	500,000,000	–	Investment, construction and management of road and urban and rural infrastructure	Limited liability company	Ge Fei	522730-001615
Landholding Company	Indirect holding*	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000	–	land development and real estate development	Limited liability company	Ge Fei	07200031-7
Shengbo Company	Indirect holding*	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000	–	land development and real estate development	Limited liability company	Ge Fei	07849092-7
Pengbo Company	Indirect holding*	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000	–	land development and real estate development	Limited liability company	Lei Yu Hong	08567401-1
Yuelong Company	Indirect holding*	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	1,000,000	–	land development and real estate development	Limited liability company	Lei Yu Hong	08567405-4

* Expressway Investment Company holds 70% equity interests of Guishen Company. Guishen Company holds 100% equity interests of Landholding Company, Shengbo Company, Pengbo Company and Yuelong Company.

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Background of subsidiaries (continued)

(a) Subsidiaries acquired through incorporation are analysed as follows: (continued)

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting right	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Outer Ring Company	100,000,000.00	–	100%	100%	Yes	–	Not applicable
Expressway Investment Company	400,000,000.00	–	100%	100%	Yes	–	Not applicable
Guishen Company	350,000,000.00	–	70%	70%	Yes	180,147,551.03	–
Landholding Company	700,000.00	–	70%	70%	Yes	–	Not applicable
Shengbo Company	700,000.00	–	70%	70%	Yes	–	Not applicable
Pengbo Company	700,000.00	–	70%	70%	Yes	–	Not applicable
Yuelong Company	700,000.00	–	70%	70%	Yes	–	Not applicable

(b) Subsidiaries acquired through business combinations involving enterprises under common control are analysed as follows:

	Type	Place of registration	Place of main business	Nature of business and principal activities	Registered capital	Bonds issued	Scope of business	Nature	Legal representative	Code of organisation
JEL Company	Indirect holding*	Cayman Islands	Hubei Province, PRC	Investment holding	USD30,000,000	–	Investment holding	Foreign enterprise	Not applicable	Not applicable
Magerk Company	Indirect holding*	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000	–	Toll management of the expressway from Wuhan to Huangshi	Limited liability company	Li Jian	615407405

* Mei Wah Company, a subsidiary of the Company, holds 55% equity interests of JEL Company. JEL Company holds 100% equity interests of Magerk Company.

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
JEL Company	538,479,329.71	–	55%	55%	Yes	408,355,663.90	–
Magerk Company	231,883,200.00	–	55%	55%	Yes	–	Not applicable

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Background of subsidiaries (continued)

(c) Subsidiaries acquired through business combinations involving enterprises not under common control

	Type	Place of registration	Place of main business	Nature of business and principal activities	Registered capital	Bonds issued	Scope of business	Nature	Legal representative	Code of organisation
Qinglian Company	Direct and indirect holding	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Operation and management of highways	3,105,959,997.64	–	Development, operation and management of Qinglian Expressway and National Highway No.107 (Qinglian Section)	Limited liability company	Wu Ya De	61806320-6
Advertising Company	Direct and indirect holding	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	30,000,000	–	Design and production of advertisement and the related consultancy services	Limited liability company	Luo Cheng Bao	19224838-4
Meiguan Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	332,400,000	–	Toll management of the expressway from Meilin to Guanlan	Limited liability company	Zhou Qing Ming	61887636-2
Mei Wah Company	Direct holding	Hong Kong	Hubei Province and Guangdong Province, PRC	Investment holding	HKD795,381,300	–	Investment holding	Foreign enterprise	Not applicable	Not applicable
Maxprofit Company	Indirect holding	British Virgin Islands	Guangdong Province, PRC	Investment holding	USD82,780,081	–	Investment holding	Foreign enterprise	Not applicable	Not applicable
Airport-Heao Eastern Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	440,000,000	–	Toll management of the eastern expressway from Shenzhen airport to Heao	Limited liability company	Zhou Qing Ming	61892043-1

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Qinglian Company	2,799,690,825.95	–	76.37%	76.37%	Yes	676,062,016.22	56,757,634.46
Advertising Company	3,500,000.01	–	100%	100%	Yes	–	Not applicable
Meiguan Company	630,590,725.39	–	100%	100%	Yes	–	Not applicable
Mei Wah Company	831,769,303.26	–	100%	100%	Yes	–	Not applicable
Maxprofit Company	933,069,337.68	–	100%	100%	Yes	–	Not applicable
Airport-Heao Eastern Company	1,003,632,517.49	–	100%	100%	Yes	–	Not applicable

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Background of subsidiaries (continued)

(d) No substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group.

(e) Entities newly included in the consolidation scope in the current year

	Net assets on 31 December 2013	Net (loss)/profit for the current period
Landholding Company	817,123.77	(182,876.23)
Shengbo Company	1,001,724.06	1,724.06
Pengbo Company	999,884.73	(115.27)
Yuelong Company	1,000,023.07	23.07

The above entities are newly incorporated by the Company in the current year. Net (loss)/profit in the current period is the net (loss)/profit incurred/generated from the incorporation dates to 31 December 2013.

(2) Subsidiaries with material minority interests

	Minority shareholders	Minority interests at 31 December 2013	Net profit attributable to minority shareholders for the year ended 31 December 2013	Dividend declared by subsidiaries to the minority shareholders for the year ended 31 December 2013
Qinglian Company	Guangdong Cement Company Limited	676,062,016.22	(56,757,634.46)	–
JEL Company	Flywheel Investments Limited	408,355,663.90	57,526,801.33	102,935,664.47
Guishen Company	CCCC-SHB Fifth Engineering Co., Ltd.	180,147,551.03	30,301,853.91	–
		1,264,565,231.15	31,071,020.78	102,935,664.47

Main financial information of the above subsidiaries is disclosed as follows:

(a) Financial position

	Qinglian Company		JEL Company		Guishen Company	
	31 December 2013	31 December 2012	31 December 2013	31 December 2012	31 December 2013	31 December 2012
Current assets	166,550,814.43	91,601,612.96	184,360,509.29	227,827,285.46	971,173,552.99	539,136,974.27
Non-current assets	8,924,804,111.52	9,475,588,952.08	902,700,242.37	996,887,971.60	1,547,586.45	1,913,937.08
Current liabilities	(567,406,571.39)	(1,083,053,966.41)	(19,064,789.49)	(38,227,533.76)	(288,738,882.14)	(41,565,254.32)
Non-current liabilities	(5,665,976,524.31)	(5,385,971,647.52)	(160,538,931.28)	(178,122,107.63)	(83,490,000.00)	–
Net assets	2,857,971,830.25	3,098,164,951.11	907,457,030.89	1,008,365,615.67	600,492,257.30	499,485,657.03

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Subsidiaries with material minority interests (continued)

(b) Operating results

	Qinglian Company		JEL Company		Guishen Company	
	2013	2012	**2013**	2012	**2013**	2012
Revenue	**714,484,930.05**	540,226,006.63	**380,866,473.89**	460,915,948.29	**123,123,121.28**	9,512,416.18
Total (loss)/profit	**(319,438,770.28)**	(181,380,093.00)	**170,617,633.91**	222,295,159.44	**103,341,750.44**	375,101.97
Net (loss)/profit	**(240,193,120.87)**	(139,316,235.63)	**127,837,336.26**	166,585,775.63	**101,006,179.74**	(36,016.77)
Other comprehensive income	**–**	–	**–**	–	**–**	–
Total comprehensive income	**(240,193,120.87)**	(139,316,235.63)	**127,837,336.26**	166,585,775.63	**101,006,179.74**	(36,016.77)
Total comprehensive income attributable to the minority interests	**(56,757,634.46)**	(32,920,426.48)	**57,526,801.33**	74,963,599.04	**30,301,853.91**	(10,805.03)

(c) Cash flows

	Qinglian Company		JEL Company		Guishen Company	
	2013	2012	**2013**	2012	**2013**	2012
Net cash flows from operating activities	**569,061,352.39**	361,373,674.83	**87,243,754.02**	429,727,914.60	**(192,070,953.64)**	(128,090,794.64)
Net cash flows from investing activities	**(244,065,175.81)**	(260,498,682.46)	**(1,601,009.55)**	(15,392,781.22)	**2,122,969.25**	(758,904.02)
Net cash flows from financing activities	**(245,445,708.07)**	(225,650,272.77)	**(228,749,854.46)**	(350,599,947.83)	**243,365,769.77**	300,000,000.00
Cash at beginning of year	**48,433,279.35**	173,298,981.12	**218,160,620.57**	154,424,665.72	**201,371,123.92**	30,220,822.58
Cash at end of year	**127,976,048.01**	48,433,279.35	**75,052,440.92**	218,160,620.57	**254,788,909.30**	201,371,123.92

The amounts as disclosed above are gross amount before any elimination of inter-group balances and transactions.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	31 December 2013			31 December 2012		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Cash on hand						
RMB			**13,199,657.53**			10,528,775.94
USD	**11,321.00**	**6.0969**	**69,023.00**	11,321.00	6.2855	71,158.15
Other foreign currencies			**65,910.63**			98,603.72
Subtotal			**13,334,591.16**			10,698,537.81
Bank deposits						
RMB			**1,080,299,887.84**			1,941,757,315.20
HKD	**1,447,853.77**	**0.7862**	**1,138,302.63**	4,410,851.37	0.8109	3,576,759.37
USD	**3,921.55**	**6.0969**	**23,909.30**	3,721.91	6.2855	23,394.06
Subtotal			**1,081,462,099.77**			1,945,357,468.63
Total			**1,094,796,690.93**			1,956,056,006.44

The Company is engaged to manage highway construction projects. As at 31 December 2013, project funds retained for construction management were RMB1,371,284.40 (31 December 2012: RMB1,851,879.88). Bank balances frozen due to an arbitration in related to Nanping Freeway (Phase I) Project ('Nanping (Phase I) Project') were RMB3,788,743.43 (31 December 2012: nil). The arbitration has been ruled by Intermediate People's Court of Shenzhen Municipality, Guangdong Province on 18 December 2013 and the bank balances have been transferred out for payment accordingly in January 2014. The above project funds retained for construction management and frozen bank balances were disclosed as restricted bank balances in cash flow statement (Note 5(39)(c)).

(2) Accounts receivable

	31 December 2013	31 December 2012
Accounts receivable	**495,364,307.64**	385,846,438.72
Less: provision for bad debts	**(33,500.00)**	(33,500.00)
	495,330,807.64	385,812,938.72

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2013	31 December 2012
Within 1 year	**292,931,673.58**	307,435,317.87
1 to 2 years	**181,982,712.71**	45,277,003.37
2 to 3 years	**14,250.00**	–
Over 3 years	**20,435,671.35**	33,134,117.48
	495,364,307.64	385,846,438.72

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Accounts receivable (continued)

(b) Accounts receivable is analysed by categories as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	–	–	–	–	–	–	–	–
Provision made collectively								
– Group 1	404,791,473.15	81.72%	–	–	306,436,293.86	79.42%	–	–
– Group 2	90,572,834.49	18.28%	33,500.00	0.04%	79,410,144.86	20.58%	33,500.00	0.04%
Not individually significant but provision separately made	–	–	–	–	–	–	–	–
	495,364,307.64	100.00%	33,500.00	0.01%	385,846,438.72	100.00%	33,500.00	0.01%

(c) Group 2 is accounts receivable of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	90,534,919.40	99.95%	–	–	79,376,644.86	99.96%	–	–
1 to 2 years	4,415.09	0.01%	–	–	–	–	–	–
Over 3 years	33,500.00	0.04%	33,500.00	100.00%	33,500.00	0.04%	33,500.00	100.00%
	90,572,834.49	100.00%	33,500.00	100.00%	79,410,144.86	100.00%	33,500.00	0.04%

(d) Accounts receivable from related parties is analysed as follows:

	Relationship with the Group	31 December 2013			31 December 2012		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	Controlled by the ultimate holding company, together with the Company	105,562,861.17	21.31%	–	78,741,667.61	20.41%	–
Shenzhen Baotong Highway Construction and Development Company Limited ('Baotong Company')	Controlled by the parent company, together with the Company	2,295,854.23	0.46%	–	2,295,854.23	0.60%	–
		107,858,715.40	21.77%	–	81,037,521.84	21.01%	–

(e) As at 31 December 2013 and 31 December 2012, there was no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Accounts receivable (continued)

(f) As at 31 December 2013, the five largest accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Due from Shenzhen Traffic and Transportation Committee ('Shenzhen Transportation Bureau') in relation to the project management services provided to Nanping Freeway (Phase II) Project ('Nanping (Phase II) Project')	Independent third party	135,147,953.62	1 to 2 years	27.29%
Due from Coastal Company in relation to the project management services provided to Guangshen Coastal Expressway (Shenzhen Section) (the 'Coastal Project')	Controlled by the ultimate holding company, together with the Company	105,562,861.17	1 to 3 years	21.31%
Due from Guizhou Longli County Government in relation to the project management services provided to the contraction project of Guilong Road by 'Build – Transfer' mode ('Longli BT Project')	Independent third party	104,516,324.83	Within 1 year	21.10%
Revenue from revenues through unitoll cards	Independent third party	52,325,418.07	Within 1 year	10.56%
Due from Shenzhen Transportation Bureau in relation to the project management services provided to Nanping (Phase I) Project	Independent third party	34,098,880.63	1 to 2 years	6.88%
		431,651,438.32		87.14%

(g) As at 31 December 2013 and 31 December 2012, all accounts receivable were denominated in RMB.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Other receivables

	31 December 2013	31 December 2012
Advances	**157,163,045.20**	26,183,786.84
Others	**8,785,933.37**	11,312,960.53
	165,948,978.57	37,496,747.37
Less: provision for bad debts	**–**	–
	165,948,978.57	37,496,747.37

(a) The ageing of other receivables is analysed as follows:

	31 December 2013	31 December 2012
Within 1 year	**155,109,068.00**	29,929,859.11
1 to 2 years	**3,724,794.47**	6,398,220.25
2 to 3 years	**7,115,116.10**	1,168,668.01
	165,948,978.57	37,496,747.37

(b) Other receivables are analysed by categories as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	**–**	**–**	**–**	**–**	–	–	–	–
Provision made collectively								
– Group 1	**156,994,438.43**	**94.60%**	**–**	**–**	26,183,786.84	69.83%	–	–
– Group 2	**8,954,540.14**	**5.40%**	**–**	**–**	11,312,960.53	30.17%	–	–
Not individually significant but provision separately made	**–**	**–**	**–**	**–**	–	–	–	–
	165,948,978.57	**100.00%**	**–**	**–**	37,496,747.37	100.00%	–	–

(c) Group 2 is other receivables of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	**5,735,296.57**	**64.05%**	**–**	**–**	9,836,465.60	86.95%	–	–
1 to 2 years	**1,844,794.47**	**20.60%**	**–**	**–**	1,330,357.89	11.76%	–	–
2 to 3 years	**1,374,449.10**	**15.35%**	**–**	**–**	146,137.04	1.29%	–	–
	8,954,540.14	**100.00%**	**–**	**–**	11,312,960.53	100.00%	–	–

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Other receivables (continued)

(d) Other receivables from related parties are analysed as follows:

		31 December 2013			31 December 2012		
	Relationship with the Group	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Coastal Company	Controlled by the ultimate holding company, together with the Company	8,385,331.16	5.05%	–	–	–	–
Shenzhen Huayu expressway investment company ("Huayu" company)	An associate of the Company	20,000.00	0.01%	–	–	–	–
Shenzhen Longda expressway company limited ("Longda" company)	An associate of the Company	10,000.00	0.01%	–	–	–	–
Shenzhen Expressway Engineering Consulting Company Limited ('Consulting Company')	An associate of the Company	8,472.00	0.01%	–	–	–	–
Guangdong Untied Electronic Collection Inc ('United Electronic Company')	One of its directors is the Company's key management personnel	6,620.00	0.00%	–	–	–	–
		8,430,423.16	5.08%	–	–	–	–

(e) As at 31 December 2013 and 31 December 2012, there were no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Other receivables (continued)

(f) As at 31 December 2013, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Advance due from Guizhou Longli County Government in relation to the Longli BT Project	Independent third party	141,820,373.27	1 to 2 years	85.46%
Advance of funds paid on behalf of Coastal Company	Controlled by the ultimate holding company, together with the Company	8,385,331.16	Within 1 year	5.05%
Advance due from Shenzhen Government in relation to the migration of Meilin toll station	Independent third party	6,788,734.00	1 to 3 years	4.09%
Advances of charges for water and electricity paid on behalf of Nanguang Checkpoint Station	Independent third party	1,187,778.47	1 to 4 years	0.72%
Advance of funds paid on behalf of from Guangdong Jingtong Highway Project Company	Independent third party	629,535.21	1 to 2 years	0.38%
		158,811,752.11		95.70%

(g) As at 31 December 2013 and 31 December 2012, all other receivables were denominated in RMB.

(4) Advances to suppliers

	31 December 2013	31 December 2012
Advances for acquisition of land use right (a)	**125,551,827.34**	309,010,800.00
Others	**9,258,074.41**	11,324,336.60
	134,809,901.75	320,335,136.60

(a) As at 31 December 2013, the amount represents payment of land-transferring fund and related deed taxes made by Guishen Company, a subsidiary of the Company, as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 350 mu. The amount was recorded in advances to suppliers as the delivery conditions in the acquisition contract had not been met. The Company plans to transfer the land use right in open market or develop the land on its own or through cooperation with others.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Advances to suppliers (continued)

(b) The ageing of advances to suppliers is analysed below:

	31 December 2013		31 December 2012	
	Amount	**% of total balance**	Amount	% of total balance
Within 1 year	**134,112,305.08**	**99.48%**	319,254,629.93	99.66%
1 to 2 years	**697,596.67**	**0.52%**	695,506.67	0.22%
2 to 3 years	**–**	**–**	385,000.00	0.12%
	134,809,901.75	**100.00%**	320,335,136.60	100.00%

As at 31 December 2013, advances to suppliers over 1 year mainly comprised designing fees and maintenance expenses of traffic equipment which were not fully settled since the contracts have not been completed.

(c) Advances to related parties are analysed as follows:

		31 December 2013			31 December 2012		
	Relationship with the Group	**Amount**	**% of total balance**	**Provision for bad debts**	Amount	% of total balance	Provision for bad debts
Consulting Company	An associate of the Company	**3,035,060.00**	**2.25%**	**–**	3,127,180.20	0.98%	–

(d) As at 31 December 2013 and 31 December 2012, there were no advances to shareholders holding more than 5% (including 5%) of the voting rights of the Company.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(4) Advances to suppliers (continued)

(e) As at 31 December 2013, the five largest advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Advances to Guizhou Longli County Government in relation to acquisition of land use right	Independent third party	125,551,827.34	Within 1 year	93.13%
Advances to Consulting Company in relation to detecting expenses and supervision expenses	An associate of the Company	3,035,060.00	Within 1 year	2.25%
Advances to Shenzhen Feiling Intelligent System Integration Company Limited in relation to project fund	Independent third party	2,327,145.83	Within 1 year	1.73%
Advances to PICC Property and Casualty Company Limited Shenzhen Branch in relation to insurance fee	Independent third party	538,369.00	Within 1 year	0.40%
Advances to China Railway Fourth Survey and Design Institute Group Company Limited Shenzhen Branch in relation to design fee	Independent third party	456,030.00	Within 1 year	0.34%
		131,908,432.17		97.85%

(f) As at 31 December 2013 and 31 December 2012, all advances to suppliers were denominated in RMB.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Inventories

	31 December 2013	31 December 2012
Land to be developed (a)	**342,246,344.33**	–
Toll tickets	**2,249,284.15**	2,086,963.86
Low value consumables	**166,667.75**	402,531.60
Maintenance and repair parts	**348,798.49**	490,526.80
Others	**7,024.00**	–
	345,018,118.72	2,980,022.26

(a) Guishen Company, a subsidiary of the Company, made prepayment as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 1,283 mu, in which 883 mu have been granted the land use right certificate and the related purchase and other direct costs were recognised as inventories based on its intention of holding. The land acquisition and resettlement procedures of another piece of land with area of approximately 50 mu were completed by the Land Bureau of Longli Country. This piece of land had been passed to Guishen Company for management. As a result, Guishen Company owns this land use right in substance and therefore recognised the related purchase and other direct costs as inventories based on its intention of holding. The application for the land use right certificate of this piece of land was still in progress as at 31 December 2013.

As at 31 December 2013, no provision for declines in the value of inventories has been made by the Group (31 December 2012: nil).

(6) Long-term equity investments

	31 December 2013	31 December 2012
Joint ventures, unquoted (a)	**183,996,250.12**	174,639,254.25
Associates, unquoted (b)	**1,390,218,121.12**	1,448,933,932.74
Other long-term equity investment, unquoted (c)	**30,170,000.00**	30,170,000.00
	1,604,384,371.24	1,653,743,186.99

No substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates.

As at 31 December 2013, no provision for impairment of long-term equity investments was required (31 December 2012: nil).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Long-term equity investments (continued)

(a) Investment in joint ventures

	Accounting method	Ending balance of investment cost	31 December 2012	Current year movement: Share of net profit	Other comprehensive income enjoyed	Investment cost recovered (i)	Disposal (ii)	31 December 2013	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current year
Changsha Shenchang Expressway Company Limited ('Shenchang Company')	Equity method	331,111,185.04	174,639,254.25	13,045,940.84	–	(3,688,944.97)	–	**183,996,250.12**	51%	(ii)	(ii)	–	–

(i) The amounts represent cash flow derived from daily operation of the toll roads and distributed by Shenchang Company to the Company as stipulated in the joint venture agreements. The amounts are deemed as recovery of investment cost of the Company.

(ii) The places of registration and main business of Shenchang Company are both located in the PRC. According to the joint venture contracts and articles of incorporation of Shenchang Company, the principal financial and operating decisions of Shenchang Company shall be made based on the common consent of both investing parties. As a result, Shenchang Company is deemed as the Company's joint venture and is accounted for using equity method.

(b) Investment in associates

	Accounting method	Ending balance of investment cost	31 December 2012	Current year movement: Additional injection	Share of net profit/(loss)	Cash dividend declared	Investment cost recovered	31 December 2013	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current year
Shenzhen Qinglong Expressway Company Limited ('Qinglong Company')	Equity method	147,875,345.09	243,565,995.18	–	61,633,172.62	(149,748,146.67)	(3,200,000.00)	**152,251,021.13**	40%	40%	Not applicable	–	–
Consulting Company	Equity method	2,134,142.45	16,175,428.76	–	3,683,867.59	(630,000.00)	–	**19,229,296.35**	24%	24%	Not applicable	–	–
Huayu Company	Equity method	59,851,927.88	51,348,747.21	–	(4,309,194.64)	–	–	**47,039,552.57**	40%	40%	Not applicable	–	–
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	Equity method	308,180,000.00	273,093,209.40	16,250,000.00	3,061,012.82	–	–	**292,404,222.22**	25%	25%	Not applicable	–	–
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	Equity method	254,526,376.43	253,139,303.59	–	21,111,322.77	–	(8,518,305.04)	**265,732,321.32**	25%	25%	Not applicable	–	–
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	Equity method	249,340,567.72	246,838,680.83	–	56,941,292.18	(45,000,000.00)	–	**258,779,973.01**	25%	25%	Not applicable	–	–
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	Equity method	250,000,000.00	220,311,122.15	–	9,659,617.38	–	–	**229,970,739.53**	25%	25%	Not applicable	–	–
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	Equity method	128,020,863.77	144,461,445.62	–	20,849,549.37	(20,849,549.37)	(19,650,450.63)	**124,810,994.99**	30%	30%	Not applicable	–	–
			1,448,933,932.74	16,250,000.00	172,630,640.09	(216,227,696.04)	(31,368,755.67)	**1,390,218,121.12**				–	–

The Company's 40% equity investment in Qinglong Company is pledged as security for long-term borrowings amounting to RMB565,000,000.00 (Note 5(22)(a)).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(6) Long-term equity investments (continued)

(c) Other long-term equity investment

	Accounting method	Ending balance of investment cost	31 December 2012	Capital injection in current year	31 December 2013	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current year	Cash dividends declared in the current year
United Electronic Company	Cost method	30,170,000.00	30,170,000.00	–	30,170,000.00	15%	15%	Not applicable	–	–	–

(d) Joint ventures and associates

	Equity interest held	Voting rights held	31 December 2013			2013	
			Total assets	Total liabilities	Net assets	Revenue	Net profit/(loss)
Joint ventures –							
Shenchang Company	51%	51%	371,324,769.92	10,547,808.90	360,776,961.02	65,282,243.56	25,580,276.16
Associates –							
Qinglong Company	40%	40%	2,232,019,648.09	1,855,482,121.91	376,537,526.18	479,577,127.74	154,082,931.55
Consulting Company	24%	24%	175,863,811.30	95,741,743.17	80,122,068.13	202,585,473.06	15,349,448.29
Huayu Company	40%	40%	474,169,638.30	356,570,756.87	117,598,881.43	66,142,766.63	(10,772,986.60)
Jiangzhong Company	25%	25%	2,439,949,663.67	1,390,872,774.79	1,049,076,888.88	363,217,508.98	12,244,051.28
Nanjing Third Bridge Company	25%	25%	3,214,277,945.51	2,151,348,660.23	1,062,929,285.28	437,413,666.30	84,445,291.08
Yangmao Company	25%	25%	1,726,077,599.17	871,617,707.13	854,459,892.04	580,301,061.27	227,765,168.72
GZ W2 Company	25%	25%	2,565,901,479.15	1,646,018,521.03	919,882,958.12	306,531,927.17	38,638,469.52
Guangyun Company	30%	30%	1,259,878,002.48	843,841,352.51	416,036,649.97	265,087,118.52	69,498,497.90
			14,088,137,787.67	9,211,493,637.64	4,876,644,150.03	2,700,856,649.67	591,250,871.74

(e) The directors of the Company considered that the Group has no material joint venture or associate for the year ended 31 December 2013 and 2012 as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Group.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Investment properties

	Car parking spaces
Cost	
31 December 2012 and 31 December 2013	18,180,000.00
Accumulated amortisation	
31 December 2012	(2,350,775.00)
Current year additions	(575,700.00)
31 December 2013	(2,926,475.00)
Net book value	
31 December 2013	15,253,525.00
31 December 2012	15,829,225.00

In 2013, the investment properties generated lease income of RMB2,502,162.00 (2012: RMB2,311,750.00) and incurred direct expenditures of RMB1,168,146.38 (2012: RMB1,126,836.93).

As at 31 December 2013, no provision for impairment loss of investment properties was required (31 December 2012: nil).

(8) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
Cost					
31 December 2012	584,147,250.31	1,090,052,367.86	29,796,544.18	56,655,423.90	1,760,651,586.25
Transfers from construction in progress in current year (Note 5(9))	921,908.00	9,746,700.00	–	–	10,668,608.00
Purchase in current year	–	31,592,748.39	2,278,945.00	2,763,345.17	36,635,038.56
Adjustment to cost due to final settlement in current year	56,425,393.72	35,489,450.37	–	–	91,914,844.09
Current year reductions	–	(2,782,527.75)	(861,180.00)	(3,272,309.85)	(6,916,017.60)
31 December 2013	641,494,552.03	1,164,098,738.87	31,214,309.18	56,146,459.22	1,892,954,059.30
Accumulated depreciation					
31 December 2012	139,544,686.03	463,296,502.10	19,750,151.01	39,985,329.69	662,576,668.83
Current year additions	22,553,591.10	91,138,331.91	3,387,994.38	5,848,115.58	122,928,032.97
Current year reductions	–	(1,641,982.92)	(806,323.95)	(2,926,477.30)	(5,374,784.17)
31 December 2013	162,098,277.13	552,792,851.09	22,331,821.44	42,906,967.97	780,129,917.63
Net book value					
31 December 2013	479,396,274.90	611,305,887.78	8,882,487.74	13,239,491.25	1,112,824,141.67
31 December 2012	444,602,564.28	626,755,865.76	10,046,393.17	16,670,094.21	1,098,074,917.42

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Fixed assets (continued)

As at 31 December 2013, the Group has buildings with net book value of RMB350,170,169.42 (cost: RMB497,169,375.77) lacking certificates of ownership (31 December 2012: net book value of RMB309,660,176.98, cost of RMB440,743,982.65). Due to the unique feature of the Group's operation, toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire. Thus, the Group has no intention to acquire the related property ownership certificates.

In 2013, depreciation expenses amounting to RMB117,336,457.71 (2012: RMB122,012,181.03) and RMB5,591,575.26 (2012: RMB5,978,884.43) had been charged into costs of services and general and administrative expenses, respectively. As at 31 December 2013, no provision for impairment of fixed assets was required (31 December 2012: nil).

(9) Construction in progress

Name	Budget amount	31 December 2012	Current year additions	Transfer to fixed assets	Other reductions in current year	**31 December 2013**	Source of funds	% contribution in budget of current year	Progress of construction
Toll-by-weight projects	22 million	–	13,905,659.64	–	–	**13,905,659.64**	Self-owned funds	63.18%	In progress
Billboard and light box projects	10 million	1,123,230.00	3,109,068.00	(524,768.00)	–	**3,707,530.00**	Self-owned funds	31.09%	In progress
Integrated toll system projects	82 million	–	3,443,800.00	–	–	**3,443,800.00**	Self-owned funds	4.73%	In progress
Toll lanes reconstruction projects	5 million	–	3,477,755.27	–	–	**3,477,755.27**	Self-owned funds	67.91%	In progress
Project of central isolation area of Wuhuang Expressway	13 million	9,746,700.00	–	(9,746,700.00)	–	**–**	Self-owned funds	–	Completed
Others	*	5,487,454.44	7,821,507.67	(397,140.00)	(1,106,059.44)	**11,805,762.67**	Self-owned funds	*	In progress
Total		16,357,384.44	31,757,790.58	(10,668,608.00)	(1,106,059.44)	**36,340,507.58**			

* The budgets of these projects were not disclosed as the amounts are not material.

As at 31 December 2013, no provision for impairment of construction in progress was required (31 December 2012: nil).

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Intangible assets

	Cost	31 December 2012	Current year additions	Current year adjustment to cost due to final completion accounts	Current year amortisation	Current year disposal	31 December 2013	Accumulated amortisation
Concession intangible assets	21,476,247,998.06	18,581,664,219.22	379,696,928.39	(228,700,760.48)	(806,221,111.05)	(244,744,392.42)	**17,681,694,883.66**	(3,794,553,114.40)
– Qinglian Expressway*	9,228,999,209.22	8,784,297,595.90	–	(162,100,308.46)	(230,591,924.78)	–	**8,391,605,362.66**	(837,393,846.56)
– Nanguang Expressway	2,790,981,381.35	2,607,675,384.63	27,378,415.09	–	(69,993,361.80)	–	**2,565,060,437.92**	(225,920,943.43)
– Shenzhen Airport-Heao Expressway (Eastern Section)	3,092,170,511.84	2,574,251,040.77	–	–	(201,348,847.09)	(1,681,994.35)	**2,371,220,199.33**	(720,950,312.51)
– Yanba Expressway	1,255,337,192.11	1,155,889,969.70	–	(66,600,452.02)	(40,367,164.26)	–	**1,048,922,353.42**	(206,414,838.69)
– Wuhuang Expressway	1,523,192,561.64	951,756,108.70	–	–	(94,865,157.38)	–	**856,890,951.32**	(666,301,610.32)
– Meiguan Expressway	1,772,314,036.53	985,081,054.91	342,621,101.09	–	(59,465,059.64)	(2,562,867.86)	**1,265,674,228.50**	(506,639,808.03)
– Yanpai Expressway***	910,532,308.18	703,635,716.21	–	–	(47,752,166.67)	–	**655,883,549.54**	(254,648,758.64)
– Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	514,253,419.92	–	–	(46,867,863.91)	–	**467,385,556.01**	(376,282,996.22)
– National Highway No. 107 (Qinglian Section)**	–	255,469,095.73	–	–	(14,969,565.52)	(240,499,530.21)	**–**	–
– Outer Ring Expressway	59,052,244.96	49,354,832.75	9,697,412.21	–	–	–	**59,052,244.96**	–
Office software	5,772,672.00	2,052,831.37	3,067,452.00	–	(689,680.72)	–	**4,430,602.65**	(1,342,069.35)
Billboard land use rights	150,323,430.73	52,529,991.67	47,793,525.04	–	(30,185,773.89)	–	**70,137,742.82**	(80,185,687.91)
Total	21,632,344,100.79	18,636,247,042.26	430,557,905.43	(228,700,760.48)	(837,096,565.66)	(244,744,392.42)	**17,756,263,229.13**	(3,876,080,871.66)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(10) Intangible assets (continued)

* The pledge information relating to the concession intangible assets of Qinglian Expressway is set out in Note 5(22)(a).

** Pursuant to a notice issued by Guangdong Provincial Transportation Department (Yue Jiao Ming Dian (2013) No. 56) in 2013, the toll collection period of toll roads with their financing loans being repaid by the government after the commencement of their operation shall not exceed 20 years. Pursuant to this notice, National Highway No. 107 (Qinglian Section) operated by Qinglian Company, a subsidiary of the Company, ceased its toll collection from 24:00 on 30 June 2013. The original approved toll collection period of National Highway No. 107 (Qinglian Section) will end in February 2028. Since the toll collection right of National Highway No. 107 (Qinglian Section) is a beneficial right obtained through legal investments and approval procedures, the Company has negotiated with relevant government authority to protect its legal rights and discussed the potential compensation. In late December 2013, according to the latest communication result between relevant government authority and the Company, the concession intangible assets and relevant fixed assets of National Highway No. 107 (Qinglian Section) with net book value as at 31 December 2013 of RMB240,499,530.21 and RMB145,005.44, respectively, were disposed and recognised as a non-operating loss.

*** The pledge information relating to the concession intangible assets of Yanpai Expressway is set out in Note 5(22)(a).

In 2013, the amortisation of intangible assets amounting to RMB837,096,565.66 was charged to current year's income statement (2012: RMB684,569,414.65).

In 2013, the borrowing costs capitalised in intangible assets are analysed as follows:

	Accumulated borrowing costs capitalised	Including: borrowing costs capitalised in current year	Capitalisation rate in current year
The Reconstruction and Expansion of Meiguan Expressway Project	25,468,752.64	15,579,435.43	5.37%
Nanguang Expressway	94,898,284.78	1,388,584.59	3.00%
	120,367,037.42	16,968,020.02	

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Deferred tax assets and deferred tax liabilities

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

	31 December 2013		31 December 2012	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provisions for maintenance and resurfacing of the toll roads (i)	**75,320,779.21**	**301,283,116.84**	117,921,437.04	471,685,748.16
Compensation provided by concession grantors (ii)	**22,290,979.89**	**89,163,919.56**	23,091,745.34	91,552,336.50
Deductible tax losses (iii)	**152,765,946.57**	**611,063,786.27**	82,783,574.01	331,134,296.03
Payroll accrued but not paid	**2,321,339.25**	**9,285,357.00**	1,475,634.30	6,707,428.64
Other	**1,511,912.78**	**6,047,651.12**	1,685,177.48	6,740,709.92
	254,210,957.70	**1,016,843,830.79**	226,957,568.17	907,820,519.25
Including:				
Expected to be utilised within 1 year (including 1 year)	**39,678,757.29**		43,574,687.98	
Expected to be utilised over 1 year	**214,532,200.41**		183,382,880.19	
	254,210,957.70		226,957,568.17	

(i) Deferred tax asset was recognised based on the temporary difference between tax base and accounting base of provisions for maintenance/resurfacing obligations of toll roads.

(ii) Deferred tax asset was recognised based on the temporary difference between tax base and book value of compensation provided by concession grantors in prior years.

(iii) The Group estimated that Qinglian Company could generate profit against which the deductible tax losses incurred in current year and prior years can be utilised in the future. Accordingly, a deferred tax asset on deductible tax losses was recognised.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Deferred tax assets and deferred tax liabilities (continued)

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

	31 December 2013		31 December 2012	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
The amortisation of concession intangible assets (i)	**54,299,215.86**	**217,196,863.44**	59,034,129.07	236,136,516.28
Business combinations involving enterprises not under common control (ii)				
– Qinglian Company	**340,687,509.92**	**1,375,969,267.29**	349,950,786.77	1,413,022,374.69
– Airport-Heao Eastern Company	**414,975,100.92**	**1,659,900,403.72**	450,184,182.74	1,800,736,731.00
– JEL Company	**160,538,931.28**	**642,644,315.52**	178,122,107.63	712,977,020.92
– Meiguan Company	**29,798,738.02**	**119,194,952.08**	33,353,410.56	133,413,642.24
Convertible bonds (iii)	**–**	**–**	12,357,993.49	49,431,973.96
	1,000,299,496.00	**4,014,905,802.05**	1,083,002,610.26	4,345,718,259.09
Including:				
Expected to be settled within 1 year (including 1 year)	**90,326,157.26**		74,432,802.83	
Expected to be settled over 1 year	**909,973,338.74**		1,008,569,807.43	
	1,000,299,496.00		1,083,002,610.26	

(i) The deferred tax liability was recognised based on the temporary difference between tax base (straight line basis) and accounting base (traffic volume basis) of the amortisation of toll road concession intangible assts.

(ii) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, JEL Company and Meiguan Company, deferred tax liabilities were recognised on temporary differences between the fair values and book values of the respective identifiable assets and liabilities acquired.

(iii) Deferred tax liability was recognised based on temporary difference between the issued amount of the convertible bonds and bonds' liability component initially recognised on the inception date.

(c) Deductible tax losses that were not recognised as deferred tax assets are analysed as follows:

	31 December 2013	31 December 2012
Deductible tax losses	**213,714,129.99**	192,122,750.84

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Deferred tax assets and deferred tax liabilities (continued)

(d) The aforesaid unrecognised deductible tax losses will be due in the following years:

	31 December 2013	31 December 2012
Year 2014	**30,139,513.95**	30,139,513.95
Year 2015	**126,651,015.07**	126,651,015.07
Year 2016	**15,668,426.07**	15,668,426.07
Year 2017	**19,663,795.75**	19,663,795.75
Year 2018	**21,591,379.15**	–
	213,714,129.99	192,122,750.84

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

	31 December 2013	31 December 2012
Deferred tax assets	**(186,361,990.64)**	(147,719,104.74)
Deferred tax liabilities	**186,361,990.64**	147,719,104.74

The net values of deferred assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	31 December 2013		31 December 2012	
	Net values of deferred tax assets/liabilities	Temporary differences after offsetting	Net values of deferred tax assets/liabilities	Temporary differences after offsetting
Deferred tax assets	**67,848,967.06**	**271,395,868.24**	79,238,463.43	316,944,100.31
Deferred tax liabilities	**813,937,505.37**	**3,269,457,839.55**	935,283,505.52	3,754,841,840.15

(12) Short-term borrowings

	31 December 2013	31 December 2012
Unsecured	**450,400,000.00**	1,000,000.00

(a) As at 31 December 2013, there were no short-term borrowings past due but have not been repaid (31 December 2012: nil).

(b) As at 31 December 2013, the weighted average interest rate of short-term borrowings was 5.82% (per annum (31 December 2012: 4.49%).

(c) Short-term borrowings due to related parties is analyzed as follows:

	31 December 2013	31 December 2012
Qinglong Company	**400,000.00**	–

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Accounts payable

	31 December 2013	31 December 2012
Payables for construction projects and quality deposits	**375,719,993.22**	661,807,999.88

As at 31 December 2013, accounts payable with ageing over 1 year amounting to RMB168,361,364.62 (31 December 2012: RMB563,402,869.75), mainly represent payables in relation to construction projects, quality deposits and purchase of materials. The payables have not been settled since the final audits of projects are not completed. As at the date on which the financial statements are authorised for issue, the aforesaid accounts payable amounting to RMB29,622,878.76 have been repaid.

Accounts payable to related parties are analysed as follows:

	31 December 2013	31 December 2012
Consulting Company	**6,738,801.10**	–

As at 31 December 2013 and 31 December 2012, there were no accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the Company.

As at 31 December 2013 and 31 December 2012, all accounts payable were denominated in RMB.

(14) Advances from customers

	31 December 2013	31 December 2012
Advances from advertising customers	**17,305,717.29**	18,593,485.00
Others	**1,583,333.03**	750,000.00
	18,889,050.32	19,343,485.00

As at 31 December 2013 and 31 December 2012, the aging of advances from customers was within one year.

As at 31 December 2013 and 31 December 2012, there were neither advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company nor advances from related parties.

As at 31 December 2013 and 31 December 2012, all advances from customers were denominated in RMB.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(15) Employee benefits payable

	31 December 2012	Current year additions	Current year reductions	**31 December 2013**
Wages and salaries, bonuses, allowances and subsidies	78,447,246.46	232,791,872.34	(212,588,804.73)	**98,650,314.07**
Staff welfare	–	20,379,930.66	(20,379,930.66)	**–**
Social security contributions	163,531.95	25,180,231.17	(25,207,201.87)	**136,561.25**
Including: Medical insurance	41,657.10	6,414,253.52	(6,421,123.87)	**34,786.75**
Basic pensions	99,438.31	15,311,256.27	(15,327,656.25)	**83,038.33**
Unemployment insurance	11,660.78	1,795,497.51	(1,797,420.68)	**9,737.61**
Work injury insurance	5,372.41	827,230.05	(828,116.10)	**4,486.36**
Maternity insurance	5,403.35	831,993.82	(832,884.97)	**4,512.20**
Housing funds	–	13,533,736.49	(13,533,736.49)	**–**
Labor union funds and employee education funds	3,549,578.24	2,847,104.10	(2,286,616.24)	**4,110,066.10**
Enterprise annuities	506,268.03	6,009,723.16	(5,873,575.34)	**642,415.85**
Others	285,490.26	700,155.00	(164,500.00)	**821,145.26**
	82,952,114.94	301,442,752.92	(280,034,365.33)	**104,360,502.53**

As at 31 December 2013, there were no overdue employee benefits payable. About 91.10% of the total balance is estimated to be paid off or utilised in 2014, while the rest 8.90% of the balance is expected to be paid when related conditions are met.

(16) Taxes payable

	31 December 2013	31 December 2012
Corporate income tax payable	**60,444,435.82**	50,082,557.77
Business tax payable	**9,455,666.63**	12,774,272.43
Educational surcharge payable	**351,812.08**	458,792.92
City maintenance and construction tax payable	**694,340.17**	923,781.20
VAT payable	**478,877.93**	508,743.36
Others	**2,485,543.36**	2,137,331.67
	73,910,675.99	66,885,479.35

(17) Interest payable

	31 December 2013	31 December 2012
Interest of corporate bonds	**57,292,239.11**	57,292,239.11
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	**10,510,889.91**	9,366,220.26
Interest of private placement notes	**1,338,770.06**	1,338,770.00
Interest of short-term borrowings	**916,388.12**	3,733,400.00
Interest of convertible bonds	**–**	3,410,959.00
Interest of medium-term notes	**–**	27,264,849.32
	70,058,287.20	102,406,437.69

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(18) Other payables

		31 December 2013	31 December 2012
Payable related to maintenance for roads		**91,321,952.90**	90,972,967.43
Advance from associates		**70,636,595.28**	62,176,022.47
Guaranteed deposits for construction projects contracts or pitches	(a)	**68,968,758.66**	85,980,391.73
Project funds payables to the contractors of Longli BT Project		**61,289,758.87**	30,851,611.90
Payable related to land expropriation of Longli joint land development		**55,683,914.00**	–
Payable related to costs of construction management services		**46,724,431.93**	72,482,017.72
Payable related to the maintenance of Airport-Heao Expressway		**41,671,815.42**	–
Mechanical and electrical costs payable		**36,253,586.05**	13,653,559.61
Project funds retained for construction management contracts	(b)	**1,371,284.40**	1,851,879.88
Others		**44,877,808.94**	58,186,703.66
		518,799,906.45	416,155,154.40

(a) Guaranteed deposits for construction projects and pitches are deposits received from the contractors as guarantees for pitches and performance commitment relating to construction projects of Qinglian Expressway, Nanguang Expressway, the Reconstruction and Expansion of Meiguan Expressway Project and Nanping (Phase II) Project.

(b) The Company was entrusted by Highway Bureau of Longgang Distinct for the management of the construction of Hengping Project. The project is funded by Shenzhen Government. The related project payments are made by the Company through special deposit accounts opened for the project in accordance with relevant provision in the construction management contracts.

As at 31 December 2013, project funds retained in the special deposit accounts amounting to RMB1,371,284.40 (31 December 2012: RMB1,851,879.88). They are classified as restricted bank balance in cash flow statements.

(c) As at 31 December 2013, other payables aged over 1 year with carrying amount of RMB147,559,355.26 (31 December 2012: RMB135,445,074.76) are analysed as follows:

	31 December 2013	31 December 2012	Reason for unsettlement	Paid as to the reporting date
Advances from associates	**56,026,376.43**	52,044,681.47	Cash distribution in advance	–
Guaranteed deposits for construction projects or pitches	**44,271,933.08**	69,661,473.56	Completion audit not completed	3,357,216.13
Payable for maintenance of roads	**4,260,352.60**	1,792,626.53	Completion audit not completed	100,000.00
Others	**43,000,693.15**	11,946,293.20	Completion audit not completed	312,032.00
	147,559,355.26	135,445,074.76		3,769,248.13

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(18) Other payables (continued)

(d) Other payables to shareholders holding more than 5% (including 5%) of the voting rights of the Company:

	31 December 2013	31 December 2012
Shenzhen International	**5,000.00**	5,000.00

(e) Other payables to related parties:

	31 December 2013	31 December 2012
Nanjing Third Bridge Company	**33,526,376.43**	39,544,681.47
GZ W2 Company	**30,000,000.00**	22,500,000.00
Consulting Company	**7,110,218.85**	131,341.00
United Electronic Company	**1,477,986.12**	1,336,522.58
	72,114,581.40	63,512,545.05

(f) As at 31 December 2013 and 31 December 2012, all other payables were denominated in RMB.

(19) Provisions

	31 December 2012	Current year movement	31 December 2013
Provisions for maintenance/resurfacing obligations	471,685,747.98	(170,402,631.32)	**301,283,116.66**
Less: current portion (Note5(21))	(275,793,337.61)	181,489,436.56	**(94,303,901.05)**
	195,892,410.37	11,086,805.24	**206,979,215.61**

(20) Other current liabilities

	31 December 2013	31 December 2012
Deferred income	**1,923,817.30**	–

Government grants detail	31 December 2012	Current year addition	Included in the non-operating income in current year	31 December 2013	Related assets
Return of deed taxes	–	1,923,817.30	–	**1,923,817.30**	Related to the land of Guishen Company to be developed

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(21) Current portion of non-current liabilities

	31 December 2013	31 December 2012
Current portion of long-term borrowings		
Including: Pledged (Note 5(22)(a))	**151,353,640.00**	99,200,000.00
Guaranteed (Note 5(22)(b))	**27,830,000.00**	–
Unsecured (a)	**322,163,200.00**	18,028,900.00
	501,346,840.00	117,228,900.00
Current portion of provisions (Note 5(19))	**94,303,901.05**	275,793,337.61
Current portion of derivative liabilities (Note 5(24))	**24,676,144.27**	–
Current portion of medium-term notes (Note 5(23))	**–**	699,523,703.83
Current portion of convertible bonds (Note 5(23))	**–**	1,446,445,174.18
	620,326,885.32	2,538,991,115.62

(a) Details of current portion of long-term unsecured borrowings are set out as follows:

	Beginning date	Termination date	Interest rate	Currency	31 December 2013 Amount in foreign currencies	31 December 2013 Amount in RMB
Shenzhen Branch of China Construction Bank Corporation	2009.9.17	2014.9.17	HIBOR+150BPS	HKD	336,000,000.00	264,163,200.00
Loans borrowed from Qinglong Company	2013.7.1	2014.12.31	6.00%	RMB		58,000,000.00
						322,163,200.00

(b) Current portion of non-current liabilities due to related parties is analyzed as follows:

	31 December 2013	31 December 2012
Qinglong Company	**58,000,000.00**	–

(22) Long-term borrowings

	31 December 2013	31 December 2012
Pledged (a)	**4,923,524,000.00**	4,945,277,000.00
Guaranteed (b)	**83,490,000.00**	–
Unsecured (c)	**250,000,000.00**	272,462,400.00
	5,257,014,000.00	5,217,739,400.00

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Long-term borrowings (continued)

(a) As at 31 December 2013, details of long-term pledged borrowings are set out as follows:

	Interest rate	Currency	31 December 2013 Amount in foreign currencies	31 December 2013 Amount in RMB	Pledge details
Syndicated borrowings	5.895%~6.55%	RMB		4,242,424,000.00	Operating rights of Qinglian Expressway
Industrial and Commercial Bank of China Corporation	5.508%	RMB		565,000,000.00	40% equity interest of Qinglong Company held by the Company
Industrial and Commercial Bank of China Corporation	5.535%	RMB		240,000,000.00	Operating rights of Yanpai Expressway owned by the company
Industrial and Commercial Bank of China Corporation	5.76%	RMB		10,000,000.00	Operating rights of Yanpai Expressway owned by the company
Industrial and Commercial Bank of China (Asia) Corporation	HIBOR+260BPS	HKD	22,200,000.00	17,453,640.00	55% equity interest of JEL Company held by Mei Wah Company
				5,074,877,640.00	
Including: Current portion of syndicated borrowings				(121,400,000.00)	Operating rights of Qinglian Expressway
Current portion of pledged loans from Industrial and Commercial Bank of China Corporation				(12,500,000.00)	Operating rights of Yanpai Expressway owned by the company
Current portion of pledged loans from Industrial and Commercial Bank of China (Asia) Corporation			(22,200,000.00)	(17,453,640.00)	55% equity interest of JEL Company held by Mei Wah Company
				4,923,524,000.00	

(b) As at 31 December 2013, borrowings amounting to RMB111,320,000.00 (with current portion of RMB27,830,000.00) held by Guishen Company are guaranteed by the Company and CCCC-SHB Fifth Engineering Co., Ltd., one of the minority interests (31 December 2012: nil).

(c) The unsecured long-term borrowings amounts to RMB250,000,000.00 (31 December 2012: HKD336,000,000.00 (equivalent to RMB272,462,400.00)). The weighted average interest rate of the unsecured long-term borrowings for the year ended 31 December 2013 was 3.51% per annum (2012: 1.90% per annum).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(22) Long-term borrowings (continued)

(d) The five largest long-term borrowings:

	Starting date	Ending date	Currency	Interest rate	31 December 2013	31 December 2012
Syndicated borrowings (part A)	2006.9.30	2024.6.20	RMB	6.12%/5.895%	**2,003,300,000.00**	2,099,900,000.00
Syndicated borrowings (part B)	2006.9.30	2024.6.20	RMB	6.12%/5.895%	**1,534,000,000.00**	1,534,000,000.00
Syndicated borrowings (part C)	2011.1.6	2027.1.6	RMB	6.12%/6.55%/ 5.895%	**583,724,000.00**	608,524,000.00
Industrial and Commercial Bank of China Corporation	2006.3.15	2021.3.12	RMB	5.508%	**565,000,000.00**	565,000,000.00
The Export-Import Bank of China	2013.9.10	2018.9.9	RMB	5.76%	**250,000,000.00**	–
					4,936,024,000.00	4,807,424,000.00

As at 31 December 2013, the weighted average interest rate of long-term borrowings was 5.64% per annum (31 December 2012: 5.75%).

(23) Bonds payable

	31 December 2012	Current year repayment	Amortisation in current year	31 December 2013
Convertible bonds	1,446,445,174.18	(1,500,000,000.00)	53,554,825.82	**–**
Corporate bonds	2,283,479,360.75	–	7,058,153.64	**2,290,537,514.39**
Medium-term notes	699,523,703.83	(700,000,000.00)	476,296.17	**–**
Private placement notes	798,201,719.09	–	62,746.92	**798,264,466.01**
	5,227,649,957.85	(2,200,000,000.00)	61,152,022.55	**3,088,801,980.40**
Including: Current portion of medium-term notes	(699,523,703.83)			**–**
Current portion of convertible bonds	(1,446,445,174.18)			**–**
	3,081,681,079.84			**3,088,801,980.40**

Related information is as follows:

	Currency	**Par value**	**Date of issuance**	**Maturity**	**Issued amount**	**Coupon rate**
Convertible bonds (a)	RMB	1,500,000,000.00	9 October 2007	6 years	1,500,000,000.00	1%
Corporate bonds (b)	RMB	800,000,000.00	31 July 2007	15 years	800,000,000.00	5.5%
Corporate bonds (b)	RMB	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	6.0%
Medium-term notes (c)	RMB	400,000,000.00	15 March 2010	3 years	400,000,000.00	4.97%
Medium-term notes (c)	RMB	300,000,000.00	26 March 2010	3 years	300,000,000.00	4.97%
Private placement notes (d)	RMB	800,000,000.00	20 December 2012	3 years	800,000,000.00	5.9%

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(23) Bonds payable (continued)

The interests accrued in the balance are analysed as follows:

	31 December 2012	Current year accrued	Current year paid	**31 December 2013**
Convertible bonds	3,410,959.00	11,589,041.00	(15,000,000.00)	–
Corporate bonds	57,292,239.11	134,000,000.00	(134,000,000.00)	**57,292,239.11**
Medium-term notes	27,264,849.32	7,525,150.68	(34,790,000.00)	–
Private placement notes	1,338,770.00	48,802,360.06	(48,802,360.00)	**1,338,770.06**
	89,306,817.43	201,916,551.74	(232,592,360.00)	**58,631,009.17**

(a) Convertible bonds

The interests of the convertible bonds are repayable once a year (on 9 October each year), and the principal is repayable upon maturity together with the final installment of interest. The convertible bonds have been fully repaid during this year.

The convertible bonds is guaranteed by the Shenzhen Branch of Agricultural Bank of China Corporation, which is in turn pledged by the Company with 47.3% of operating right of Nanguang Expressway. The pledge was removed upon the fully repayment of the convertible bonds during this year.

The fair value of liability component of convertible bonds is determined based on market interest rate of comparable bonds without warrants at issuance date, i.e. 5.5%. The issued amount of the convertible bonds after deduction of fair value of liability component, which represents fair value of the conversion option, was included in capital surplus.

(b) Corporate bonds

The Company issued long-term corporate bonds with 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 National Development & Reform Commission. Interest is repayable annually (on 31 July every year) and the 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 Company. As at 31 December 2013, the fair value of corporate bonds approximated RMB761,013,484.28, which was calculated using cash flows discounted method based on market interest rate of comparable corporate bond at 5.75% per annum.

Upon the approval of Zheng Jian Xu Ke (2011) No.1131 issued by China Securities Regulatory Commission, the Company issued long-term corporate bonds with principal amount of RMB1,500,000,000.00 on 2 August 2011. The bonds bear interest of 6.0% per annum, with the interest repayable annually and the principal repayable in full upon maturity on 27 July 2016. The term of the bonds is five-year. At the end of the third year, the Company has an option to increase the coupon interest of the bonds and the bondholders have put options to sell the bonds back to the Company. As at 31 December 2013, the fair value of the bonds approximated to RMB 1,426,070,864.57 which was calculated using discounted cash flow method and market interest rate of comparable corporate bond at 6.51% per annum.

(c) Medium-term notes

In March 2010, the Company issued medium-term notes with principal amount of RMB700 million. The notes bear a term of three years and interest rate of 3.72% per annum for the first year and 4.47% per annum from the second year and 4.97% per annum for the third year. The medium-term notes have been fully repaid during this year.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(23) Bonds payable (continued)

(d) Private placement notes

On 18 December 2012, the Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of private placement notes amounting to RMB1,500,000,000.00. The registered quota is valid within two years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the private placement notes in tranches during the validity period. On 20 December 2012, the Company issued the initial tranche of private placement notes amounting to RMB800,000,000.00, which bear a term of 3 years and interest rate of 5.90% per annum with interest repayable annually and the principal repayable in full upon maturity on 20 December 2015.

The fair values of private placement notes approximate to their carrying amounts as the comparable market rate is close to the coupon rate and the effect of discounting is not significant.

(24) Derivative liabilities

		31 December 2013	31 December 2012
Cash flow hedges:			
CNY/HKD cross currency interest rate swap	(a)	**24,676,144.27**	16,070,892.42
Less: Current portion (Note 5(21))		**(24,676,144.27)**	–
		–	16,070,892.42

(a) CNY/HKD cross currency and interest rate swap

The Company uses a CNY/HKD cross currency interest rate swap contract to hedge its interest rate risk and exchange rate risk of one variable-rate foreign currency loan with a notional principal amount of HKD420,000,000 (31 December 2012: HKD420,000,000). The payment term of this loan is: HKD21,000,000 is repayable each year in September from 2010 to 2013, HKD336,000,000 is repayable in September 2014. The outstanding notional principal amount of the CNY/HKD cross currency interest rate swap contract as at 31 December 2013 was HKD336,000,000 (31 December 2012: HKD357,000,000). Through this arrangement, the Company is able to pay an fixed interest at 1.8% per annum and to repay the principal at a fixed HKD/RMB exchange rate agreed in the contract while the original floating interest (3-month HIBOR+150BPS) and principal payments (at HKD/RMB exchange spot rate) attached to the loan is offset by the CNY/HKD cross currency interest rate swap. This swap is settled on a quarterly basis from June 2010 to September 2014.

(25) Share capital

	31 December 2012	Current year additions	Current year reductions	**31 December 2013**
Par value RMB1 per share				
Shares not subject to trading restrictions –				
RMB ordinary shares	1,433,270,326.00	–	–	**1,433,270,326.00**
Oversea listed foreign shares	747,500,000.00	–	–	**747,500,000.00**
Total share capital	2,180,770,326.00	–	–	**2,180,770,326.00**

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Share capital (continued)

	31 December 2011	Current year additions	Current year reductions	31 December 2012
Par value RMB1 per share				
Shares not subject to trading restrictions –				
RMB ordinary shares	1,433,270,326.00	–	–	1,433,270,326.00
Oversea listed foreign shares	747,500,000.00	–	–	747,500,000.00
Total share capital	2,180,770,326.00	–	–	2,180,770,326.00

(26) Capital surplus

	31 December 2012	Current year additions	Current year reductions	**31 December 2013**
Share premium	2,274,351,523.42	–	–	**2,274,351,523.42**
Other capital surplus –				
Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	**893,132,218.74**
Cash flow hedges-after tax	13,055,818.95	(8,605,251.85)	10,348,113.96	**14,798,681.06**
Equity investment reserve	406,180.00	–	–	**406,180.00**
Others	65,760.27	–	–	**65,760.27**
	3,181,011,501.38	(8,605,251.85)	10,348,113.96	**3,182,754,363.49**

	31 December 2011	Current year additions	Current year reductions	31 December 2012
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Other capital surplus –				
Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
Cash flow hedges-after tax	16,590,228.99	3,771,447.30	(7,305,857.34)	13,055,818.95
Equity investment reserve	406,180.00	–	–	406,180.00
Others	65,760.27	–	–	65,760.27
	3,184,545,911.42	3,771,447.30	(7,305,857.34)	3,181,011,501.38

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Surplus reserve

	31 December 2012	Current year additions	**31 December 2013**
Statutory surplus reserve	1,150,873,685.81	77,158,459.67	**1,228,032,145.48**
Discretionary surplus reserve	453,391,330.06	–	**453,391,330.06**
	1,604,265,015.87	77,158,459.67	**1,681,423,475.54**

	31 December 2011	Current year additions	31 December 2012
Statutory surplus reserve	1,081,503,618.42	69,370,067.39	1,150,873,685.81
Discretionary surplus reserve	453,391,330.06	–	453,391,330.06
	1,534,894,948.48	69,370,067.39	1,604,265,015.87

In accordance with the Companies Law, the Company's Articles of Association and the resolution of Board of Directors, companies should appropriate 10% of 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. According to a resolution passed by the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB77,158,459.67 for the year 2013, (2012: 10% of the net profit for year, amounting to RMB69,370,067.39) to the statutory surplus reserve.

The Company appropriates 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 discretionary surplus reserve for the year 2013 (2012: nil).

(28) Undistributed profits

	2013		2012	
	Amount	**Appropriation/ distribution ratio**	Amount	Appropriation/ distribution ratio
Undistributed profits at the beginning of the year	**2,570,439,249.07**		2,304,205,866.63	
Add: Net profit attributable to equity holders of the Company in current year	**719,691,617.00**		684,526,701.99	
Less: Appropriation for statutory surplus reserve	**(77,158,459.67)**	**10.72%**	(69,370,067.39)	10.13%
Appropriation for discretionary surplus reserve	**–**	**–**	–	–
Dividends	**(283,500,142.38)**	**41.42%**	(348,923,252.16)	39.87%
Undistributed profits at the end of the year	**2,929,472,264.02**		2,570,439,249.07	

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(28) Undistributed profits (continued)

As at 31 December 2013, included in the undistributed profits, RMB365,486,530.30 represents subsidiaries' surplus reserve attributable to the Company (31 December 2012: RMB263,195,123.54), including RMB40,551,365.90 which represented subsidiaries' surplus reserve appropriated in current year (2012: RMB24,475,413.23).

In accordance with the resolution passed in the Annual General meeting on 15 May 2013, the Company proposed a cash dividend to all shareholders amounting to RMB283,500,142.38, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.13 per share. The cash dividend represented 41.42% of the net profit for the year ended 31 December 2012.

In accordance with the resolution passed in the Board of Directors' meeting dated on 19 March 2014, the Board of Directors proposed a cash dividend in the amount of RMB0.16 per share, amounting to RMB348,923,252.16 as calculated by total number of issued shares of 2,180,770,326 shares. The proposed final dividend resolution is subject to the approval in the shareholders' meeting (Note 10). The proposed cash dividend represents 48.48% of the net profit for the year ended 31 December 2013.

(29) Revenue and cost of services

	2013	2012
Revenue from main business (a)	**2,898,290,836.01**	2,726,353,184.85
Revenue from other businesses (b)	**380,990,221.25**	408,269,908.19
	3,279,281,057.26	3,134,623,093.04
Cost of main business (a)	**1,409,347,264.49**	1,301,578,996.25
Cost of other businesses (b)	**116,850,029.08**	209,153,259.83
	1,526,197,293.57	1,510,732,256.08

(a) Revenue and cost of services from main business

	2013		2012	
	Revenue of main business	Cost of main business	Revenue of main business	Cost of main business
Revenue from toll road	**2,898,290,836.01**	**1,409,347,264.49**	2,726,353,184.85	1,301,578,996.25

The Group's revenue from toll road is generated from Guangdong Province and Hubei Province.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Revenue and cost of services (continued)

(b) Revenue and cost of services from other businesses

	2013		2012	
	Revenue from other businesses	**Cost of other businesses**	Revenue from other businesses	Cost of other businesses
Management services revenue (i)	**266,655,579.94**	**53,061,451.64**	294,485,944.84	152,312,757.54
Advertising services revenue	**100,636,927.57**	**62,620,431.06**	95,291,780.21	55,713,665.36
Other revenues	**13,697,713.74**	**1,505,785.54**	18,492,183.14	1,126,836.93
	380,990,221.25	**116,850,029.08**	408,269,908.19	209,153,259.83

(i) Management services revenue

The Company was engaged by the local government authorities to manage the construction of several toll road construction projects, namely the Nanping (Phase I) Project, Nanping (Phase II) Project, Hengping Project, the Wutong Mountain Avenue (Supplementary Road) and Airport-Heao Expressway Yantian Subsidiary Road Checkpoint Station Project ('Wutong Mountain Project'), the renovation project of the Shenyun-North Ring Interchange ('Shenyun Project'), the Longhua expanding section of Longda Expressway ('Longhua Extension'), Coastal Project, the construction project of municipal facilities of Dalang Section of Longda Expressway ('Longda Municipal Section'), Longli BT Project, and Guilong Urban Economic Zone Wangguan Comprehensive Resettlement Area Project Phase I ("Longli Resettlement (Phase I) Project"). Nanping (Phase I) Project, Shenyun Project, Longhua Extension, Hengping Project and Wutong Mountain Project have been completed in prior years. In current year, the Group mainly managed the construction of Nanping (Phase II) Project, Coastal Project, Longda Municipal Section, Longli BT Project and Longli Resettlement (Phase I) Project. The management services income is determined based on the cost savings achieved in managing these construction management projects according to the provisions of the relevant contracts. For Nanping (Phase II) Project, Shenyun Project, Longhua Extension and Longda Municipal Section, the Company is solely granted all the cost savings in construction in case the savings does not exceed by 2.5% of the total budgeted contract costs; while the Company would share 20% of any savings exceeding 2.5% of the total budgeted contract costs. For Coastal Project, the management service revenue is 1.5% of the construction budget while the Company would share 20% of any savings of the total budgeted contract costs. For Longli BT Project, the Company would benefit from both of the return on capital costs and return on investments. Return on capital costs is calculated by 8% of construction funds advanced to the project by the Company while return on investments is calculated by 5% of construction funds advanced to the project plus return on capital costs. For Longli Resettlement (Phase I) Project, the Company is solely granted all the cost savings in construction.

According to the related management services contracts, the Company undertakes to bear cost overruns incurred in the above projects. For Longda Municipal Section Project, Nanping (Phase II) Project, Longli BT Project, Longli Resettlement (Phase I) Project and Shenyun Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For Coastal Project, the Company is obliged to bear 20% of the cost overruns incurred in construction as compared to the original budget. Nevertheless, the outflow of resources arising from expected cost overruns of these projects is considered to be remote by the directors of the Company, after taking into account the actual progress and the status of these projects.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Revenue and cost of services (continued)

(b) Revenue and cost of services from other businesses (continued)

(i) Management services revenue (continued)

In current year, the Company recognised construction management service revenue of Nanping (Phase I) Project at RMB554,563.13, in accordance with the budget costs and audit results the project costs. The Company recognised construction management service revenue of Nanping (Phase II) Project and the Coastal Project and Longli BT Project at RMB75,178,305.93, RMB46,821,193.56 and RMB123,123,121.28 respectively according to the percentage of completion of the projects (2012: RMB84,358,995.55, RMB35,860,703.24 and RMB9,536,066.66 respectively). For Longda Municipal Section Project and Longli Resettlement (Phase I) Project, as the outcome of the construction management services could not be reliably estimated though the costs incurred were expected to be fully recovered, the Group recognised construction management services income based on actual project management expenses and taxes incurred amounting to RMB2,368,281.50 and RMB610,114.54 respectively (2012: RMB1,774,669.41 and nil respectively).

On 29 December 2011, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage its 89.93% equity interests in Longda Company. However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. In return for the services rendered, the Company is entitled to an annual management entrustment fee of RMB18,000,000.00. The management entrustment fee for the current year amounted to RMB18,000,000.00 (2012: RMB18,000,000.00).

(c) Revenue from the five largest customers of the Group

Except for revenue from toll road, revenue from the five largest customers of the Group amounted to RMB270,323,563.59 (2012: RMB299,711,275.43) which accounted for 8.24% (2012: 9.55%) of the total revenue of the Group. The detail is analysed below:

	Revenue	% of total revenue
Guizhou Longli County Government	123,733,235.82	3.77%
Shenzhen Transportation Bureau	75,732,869.06	2.31%
Coastal Company	46,821,193.56	1.43%
Baotong Company	18,000,000.00	0.55%
China South International Industrial Materials City	6,036,265.15	0.18%
	270,323,563.59	8.24%

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Revenue and cost of services (continued)

(d) Costs of services by nature

	2013	2012
Salary and wages	**242,843,418.80**	204,104,177.83
Depreciation	**117,336,457.71**	122,012,181.03
Amortisation	**839,564,970.70**	686,934,902.10
Road maintenance expenses	**70,859,851.27**	114,487,784.71
Material, water and electricity consumption	**36,780,284.40**	38,309,182.48
Others	**218,812,310.69**	344,884,027.93
	1,526,197,293.57	1,510,732,256.08

(30) Business tax and surcharges

	2013	2012
Business tax	**99,379,787.98**	97,433,433.12
Construction fee for country culture development	**7,221,273.84**	6,712,629.81
Educational surcharge	**5,159,291.75**	4,461,904.75
City maintenance and construction tax	**3,030,412.61**	2,726,981.43
Others	**1,167,822.49**	1,437,537.99
	115,958,588.67	112,772,487.10

(31) General and administrative expenses

	2013	2012
Salary and wages	**56,485,507.69**	47,056,611.96
Depreciation	**7,930,123.58**	5,978,884.43
Audit fees	**3,840,000.00**	3,926,800.00
Expenses paid to stock exchanges	**2,958,829.07**	3,325,684.28
Office management expenses	**2,353,660.29**	1,956,090.38
Others	**13,963,290.51**	17,724,797.59
	87,531,411.14	79,968,868.64

(32) Financial expenses – net

	2013	2012
Interest expense	**582,118,380.29**	610,436,683.45
Including: Interest expenses of borrowings	**336,017,826.02**	359,488,396.09
Interest expenses of bonds	**263,068,574.29**	260,278,287.36
Interest capitalisation	**(16,968,020.02)**	(9,330,000.00)
Time value of provision for maintenance/resurfacing obligations	**24,502,875.48**	34,387,212.24
Less: interest income	**(24,975,054.59)**	(34,556,635.52)
Exchange (gains)/losses	**(246,838.10)**	6,116,707.86
Others	**878,359.35**	6,034,528.08
	582,277,722.43	622,418,496.11

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(32) Financial expenses – net (continued)

Interest expenses analysed by the repayment terms of bank and other borrowings are as follows:

	2013		2012	
	Borrowings	**Bonds payable**	Borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	**38,664,760.67**	**218,400,420.65**	49,877,114.95	215,581,313.45
Borrowings and bonds not wholly repayable within five years	**297,353,065.35**	**44,668,153.64**	309,611,281.14	44,696,973.91
	336,017,826.02	**263,068,574.29**	359,488,396.09	260,278,287.36

(33) Investment income

	2013	2012
Income from long-term equity investments in joint ventures under equity method	**13,045,940.84**	2,943,895.62
Income from long-term equity investments in associates under equity method	**172,630,640.09**	125,705,642.78
Income from disposal of investments in a joint venture	**–**	450,000.00
	185,676,580.93	129,099,538.40

There is no significant restriction on the remittance of investment income.

In 2013 and 2012, the Group's investment income was solely generated from non-listed investments.

Investees that contributed investment income for more than 5% of the Group's total profit, or the top five investees that contributed most investment income to the Group's total profit are set out as follows:

	2013	2012	Reason for current year fluctuation
Qinglong Company	**61,633,172.62**	57,757,586.90	Toll road revenue increased
Yangmao Company	**56,941,292.18**	39,495,941.77	Toll road revenue increased and financial expenses decreased
Nanjing Third Bridge Company	**21,111,322.77**	6,083,983.89	Toll road revenue increased and financial expenses decreased
Guangyun Company	**20,849,549.37**	20,719,836.26	Toll road revenue increased
Shenchang Company	**13,045,940.84**	2,943,895.62	Toll road revenue increased and special maintenance expenses decreased
	173,581,277.78	127,001,244.44	

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(34) Non-operating income and non-operating expenses

(a) Non-operating income

	2013	2012	Amount recorded as non-recurring profit or loss in 2013
Bounty	**950,000.00**	1,710,000.00	950,000.00
Gain on disposal of fixed assets	**3,111,920.32**	45,150.00	3,111,920.32
Others	**1,713,221.34**	1,190,662.33	1,713,221.34
	5,775,141.66	2,945,812.33	5,775,141.66

(b) Non-operating expenses

	2013	2012	Amount recorded as non-recurring profit or loss in 2013
Donation	**560,000.00**	200,000.00	560,000.00
Loss on disposal of fixed assets	**2,351,609.68**	3,684,707.52	2,351,609.68
Loss on disposal of concession intangible assets (Note 5(10))	**240,499,530.21**	–	240,499,530.21
Others	**999,553.38**	472,406.58	999,553.38
	244,410,693.27	4,357,114.10	244,410,693.27

(35) Income tax expenses

	2013	2012
Current income tax calculated according to tax law and related regulations	**273,367,136.77**	268,623,737.80
Deferred income tax	**(109,956,503.78)**	(58,787,505.72)
	163,410,632.99	209,836,232.08

The reconciliation from income tax calculated based on the applicable tax rates and profit before tax presented in the consolidated financial statements to the income tax expense is listed below:

	2013	2012
Profit before tax	**914,173,270.77**	936,419,221.74
Income tax expenses calculated at applicable tax rate of 25% (2012: 25%)	**228,543,317.69**	234,104,805.44
Difference from the CIT verification collection method of Guishen company	**(23,742,355.77)**	–
Effect of different tax rate applied for deferred tax calculation	**–**	3,281,165.88
Income not subject to tax	**(50,776,122.84)**	(34,046,625.89)
Unrecognised tax losses	**5,397,844.79**	4,915,948.94
Expenses not deductible for tax purposes	**4,278,102.96**	1,967,809.49
Deduction of the amortisation of transaction costs of convertible bonds	**(290,153.84)**	(386,871.78)
Income tax expenses	**163,410,632.99**	209,836,232.08

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) Earnings per share

(a) Basic earnings per share

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

	2013	2012
Consolidated net profit attributable to ordinary shareholders of the Company	**719,691,617.00**	684,526,701.99
Weighted average number of ordinary shares outstanding	**2,180,770,326.00**	2,180,770,326.00
Basic earnings per share	**0.330**	0.314
Including: Basic earnings per share from continuing operations	**0.330**	0.314

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing 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 year ended 31 December 2013, diluted earnings per share were equal to basic earnings per share.

(37) Other comprehensive income after tax

	2013	2012
Gain/(loss) from cash flow hedges	**1,742,862.11**	(3,534,410.04)
Income tax effect	**–**	–
Gain/(loss) from cash flow hedges, after tax	**1,742,862.11**	(3,534,410.04)

(38) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	2013	2012
Cash received relating to Longli BT Project and the joint land development	**166,469,503.64**	246,021,850.97
Project funds received from Guizhou Longli County Government in relation to fundLongli Resettlement (Phase I) Project	**39,389,885.46**	–
Cash received from Shenzhen Press Group Subway Advertisement Company	**27,839,268.00**	–
Cash received from GZ W2 Company	**7,500,000.00**	10,000,000.00
Cash received from other operating activities	**10,982,064.29**	9,037,663.18
	252,180,721.39	265,059,514.15

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) Notes to consolidated cash flow statement (continued)

(b) Cash paid relating to other operating activities

	2013	2012
Cash advanced to Longli BT Project and the joint land development	**209,108,028.82**	75,758,366.74
Payment for acquisition of land use right	**139,879,903.00**	309,010,800.00
Repayment to Shenzhen Press Group Subway Advertisement Company	**27,839,268.00**	–
Repayments of quality deposits for Nanping (Phase II) Project	**20,049,108.60**	16,685,874.62
Cash advanced to Longli Resettlement (Phase I) Project	**18,918,898.49**	–
Management expenses paid for Coastal Project	**5,718,555.92**	7,235,958.36
Management expenses paid for Nanping (Phase II) Project	**7,955,010.84**	5,267,309.54
Audit, valuation, lawyers and advisory fees paid	**4,492,017.72**	4,074,386.76
Expenses paid to stock exchanges	**3,012,496.63**	3,286,423.65
Cash advanced to the migration project of Meilin toll station	**48,067.00**	1,000,000.00
Other operating expenses paid	**53,179,033.06**	31,705,794.54
	490,200,388.08	454,024,914.21

(c) Cash received relating to other investing activities

	2013	2012
Interests income received	**27,016,905.14**	31,714,872.64
Receipt of deposits of self-owned construction projects	–	1,000,000.00
	27,016,905.14	32,714,872.64

(d) Cash paid relating to other investing activities

	2013	2012
Repayment of quality deposits for self-owned construction projects	**5,176,756.94**	6,792,022.37

(e) Cash paid relating to other financing activities

	2013	2012
Cash paid for transaction costs of bonds	**1,639,099.50**	2,338,792.00
Cash paid for other financing expenses	**1,047,309.45**	6,762,131.59
	2,686,408.95	9,100,923.59

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(39) Supplementary information to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2013	2012
Net profit	**750,762,637.78**	726,582,989.66
Add: Amortisation of investment properties	**575,700.00**	575,700.00
Depreciation of fixed assets	**122,928,032.97**	127,991,065.46
Amortisation of intangible assets	**837,096,565.66**	684,569,414.65
Amortisation of long-term prepaid expenses	**1,892,705.04**	1,789,787.45
Losses on disposal of non-current assets	**239,739,219.57**	3,639,557.52
Financial expenses	**582,277,722.43**	622,418,496.11
Investment income	**(185,676,580.93)**	(129,099,538.40)
Net decrease in deferred tax assets and liabilities	**(109,956,503.78)**	(58,787,505.72)
Decrease/(increase) in inventories	**(342,038,096.46)**	663,252.40
Increase in operating receivables	**(52,444,865.27)**	(217,218,949.30)
Decrease in operating payables	**(83,931,750.73)**	(232,469,602.35)
Net cash flows from operating activities	**1,761,224,786.28**	1,530,654,667.48

(b) Net change in cash

	2013	2012
Cash at the end of the year	**1,089,636,663.10**	1,954,204,126.56
Less: cash at the beginning of the year	**(1,954,204,126.56)**	(2,167,953,309.07)
Net decrease in cash	**(864,567,463.46)**	(213,749,182.51)

(c) Cash and cash equivalents

	31 December 2013	31 December 2012
Cash at bank and on hand (Note 5(1))	**1,094,796,690.93**	1,956,056,006.44
Less: Restricted bank balances (Note 5(1))	**(1,371,284.40)**	(1,851,879.88)
Bank balance frozen (Note 5(1))	**(3,788,743.43)**	–
Cash at the end of the year	**1,089,636,663.10**	1,954,204,126.56

6 SEGMENT INFORMATION

The reportable segments of the Group are the business units that provide different products or service, or operate in the 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 provision of advertising services, construction management services and other services. The Group has no inter-segment revenues. These businesses do not compose separate reportable segments.

6 SEGMENT INFORMATION (CONTINUED)

(1) Segment information as at and for the year ended 31 December 2013 is as follows:

Segment	Toll road	Other	Unallocated	Group
Revenue from external customers	2,898,290,836.01	380,990,221.25	–	3,279,281,057.26
Interest income	3,250,214.92	2,797,385.00	18,927,454.67	24,975,054.59
Interest expense	578,836,323.08	3,282,057.21	–	582,118,380.29
Share of profit of associates and joint ventures	181,992,713.34	3,683,867.59	–	185,676,580.93
Depreciation and amortisation	920,409,639.56	33,998,890.00	8,084,474.11	962,493,003.67
Total profit	854,720,748.95	136,660,922.01	(77,208,400.19)	914,173,270.77
Income tax expenses	130,036,042.09	33,374,590.90	–	163,410,632.99
Net profit	724,684,706.86	103,286,331.11	(77,208,400.19)	750,762,637.78
Total assets	21,215,906,230.47	1,462,036,972.34	162,164,277.10	22,840,107,479.91
Total liabilities	10,993,308,221.80	432,928,044.79	174,885,553.12	11,601,121,819.71
Long-term equity investments in associates and joint ventures	1,554,985,074.89	19,229,296.35	–	1,574,214,371.24
Additions to non-current assets other than long-term equity investments	(868,842,711.40)	17,967,731.17	(1,593,711.56)	(852,468,691.79)

(2) Segment information as at and for the year ended 31 December 2012 is as follows:

Segment	Toll road	Other	Unallocated	Group
Revenue from external customers	2,726,353,184.85	408,269,908.19	–	3,134,623,093.04
Interest income	2,812,716.18	1,291,594.88	30,452,324.46	34,556,635.52
Interest expense	610,436,683.45	–	–	610,436,683.45
Share of profit of associates and joint ventures	125,627,911.80	3,471,626.60	–	129,099,538.40
Depreciation and amortisation	777,839,146.26	29,130,928.67	7,955,892.63	814,925,967.56
Total profit	791,726,243.06	168,446,678.58	(23,753,699.90)	936,419,221.74
Income tax expenses	168,294,578.36	41,541,653.72	–	209,836,232.08
Net profit	623,431,664.70	126,905,024.86	(23,753,699.90)	726,582,989.66
Total assets	23,017,957,040.78	1,023,574,233.31	167,593,768.10	24,209,125,042.19
Total liabilities	12,984,330,458.35	172,042,492.86	179,836,123.82	13,336,209,075.03
Long-term equity investments in associates and joint ventures	1,607,397,758.23	16,175,428.76	–	1,623,573,186.99
Additions to non-current assets other than long-term equity investments	(431,722,059.92)	4,295,717.94	(7,993,881.17)	(435,420,223.15)

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

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent of the Company:

(a) General information of the parent company:

	Type	Place of registration	Legal representative	Code of organisation	Nature of business
Shenzhen International	Foreign enterprise	Bermuda	Not applicable	Not applicable	Investment holding

The Company's ultimate controlling party is SIHCL.

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Shenzhen International	HKD2,000,000,000.00	–	–	**HKD2,000,000,000.00**

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	31 December 2013		31 December 2012	
	% interest held	% voting rights	% interest held	% voting rights
Shenzhen International	**50.89%**	**50.89%**	50.89%	50.89%

(2) Information of subsidiaries

The information for the subsidiaries is set out in Note 4(1).

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(3) Information of joint ventures and associates

	Type	Place of registration	Legal representative	Nature of business	Registered capital (RMB)	% equity interest	% voting right	Code of organisation
Joint ventures –								
Shenchang Company	Limited liability company	Changsha City, Hunan Province	Deng Li Min	(i)	200,000,000	51%	51%	71216935-7
Associates –								
Qinglong Company	Limited liability company	Shenzhen City, Guandong Province	Fu Jie Pin	(i)	324,000,000	40%	40%	19230570-5
Consulting Company	Limited liability company	Shenzhen City, Guandong Province	Cai Cheng Guo	(ii)	18,750,000	24%	24%	74124302-6
Huayu Company	Limited liability company	Shenzhen City, Guandong Province	Fu Jie Pin	(i)	150,000,000	40%	40%	73417205-5
Jiangzhog Company	Limited liability company	Guangzhou City, Guangdong Province	Wang Kang Chen	(i)	1,045,000,000	25%	25%	74296235-6
Nanjing Third Bridge Company	Limited liability company	Nanjing City, Jiangsu Province	Zhang Ying Fang	(i)	1,080,000,000	25%	25%	74537269-3
Yangmao Company	Limited liability company	Guangzhou City, Guandong Province	Luo Ying Sheng	(i)	200,000,000	25%	25%	74170833-x
GZ W2 Company	Limited liability company	Guangzhou City, Guandong Province	Zhong Ming	(i)	1,000,000,000	25%	25%	76400825-6
Guangyun Company	Limited liability company	Yunfu City, Guandong Province	Gu Shui Ling	(i)	10,000,000	30%	30%	74448922-4

(i) Expressway construction and operation.
(ii) Construction advisory and consultancy.

(4) Information of other related parties

	Relationship with the Group	Code of organisation
Baotong Company	Under same control of Shenzhen International	72618130-6
Longda Company	Under same control of Shenzhen International	77715423-6
Shenzhen International South-China Logistics Co., Ltd. ('SC Logistics Company')	Under same control of Shenzhen International	72615808-5
Xin Tong Chan Company	Shareholder of the Company	19224376-X
Shenzhen International Huatongyuan Logistics Co., Ltd. ('Huatongyuan Company')	Under same control of Shenzhen International	78924196-X
Coastal Company	Ultimately controlled by SIHCL	68201030-1
United Electronic Company	One of its directors is the Company's key management personnel	74084676-5

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions

(a) Rendering or receiving of services

(i) Receiving of services

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	2013 Amount	2013 Percentage in the total amount of similar transactions	2012 Amount	2012 Percentage in the total amount of similar transactions
Consulting Company	Receiving project management services	Negotiated price	**31,280,718.91**	**34.28%**	32,873,307.47	50.03%
United Electronic Company	Receiving integrated toll system settlement services	Determined by price bureau	**17,233,013.26**	**100.00%**	16,593,161.73	100.00%
Others	Receiving power supply services for advertising boards	Negotiated price	**636,676.28**	**7.41%**	165,568.65	41.88%

The Group signed management services contracts with Consulting Company, which mainly in relation to the project management services provided to Qinglian Expressway and Shenzhen Airport-Heao Expressway (Eastern Section).

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 and Qinglian 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 Guangdong Province.

Advertising Company, a subsidiary of the Company, received power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company and Longda Company. The respective transaction amounts were not disclosed as they are not material.

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(a) Rendering or receiving of services (continued)

(ii) Rendering of services

			2013		2012	
Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	**Amount**	**Percentage in the total amount of similar transactions**	Amount	Percentage in the total amount of similar transactions
Baotong Company	Entrusted construction management services	Negotiated price	**–**	**–**	10,065,267.01	3.77%
Coastal Company	Entrusted construction management services	Negotiated price	**46,821,193.56**	**18.83%**	35,860,703.04	13.43%
Longda Company	Provide integrated toll services	Negotiated price	**86,652.47**	**12.89%**	66,983.86	20.92%
Others	Supply of water and electricity for offices	Negotiated price	**1,418,929.00**	**39.36%**	1,059,835.75	43.17%

On 20 May 2009, Baotong Company signed a management service contract with the Company and entrusted the Company to manage the construction of Longhua Extension. As the entrusting party, Baotong Company is responsible for the financing and payment of the construction funds. Management services revenues comprise management services compensation and premiums from investment controls (if any). The basic management services compensation amounts to RMB5,000,000. The premiums from investment controls are calculated on the basis of project budget and project closing expense. All savings are defined as premiums if in case the saving project from closing expense does not exceed by 2.5% (including 2.5%) of the total project budget, while the Company would also share 20% of any savings exceeding 2.5% of the project budget. Since the project has mostly been completed in 2012, there is no management service income in 2013 (In 2012, the Company recognised management services income amounting to RMB10,065,267.01 based on the audit of project budget).

On 6 November 2009, SIHCL signed an operation and management entrustment agreement with the Company and entrusted the Company to operate and manage its wholly owned subsidiary, Coastal Company. Pursuant to this agreement and also the 'construction entrustment agreement' signed on 9 September 2011, the construction management service revenue is calculated by 1.5% of the construction budget. During the year, the Company has recognised construction management services fee amounting to RMB46,821,193.56 calculated based on the stage of completion (2012: RMB35,860,703.04).

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(a) Rendering or receiving of services (continued)

(ii) Rendering of services (continued)

In accordance with the contract signed between the Company and Longda Company, which agreed to settle the receivable and payable of toll on a net basis and pay a service fee to the party which has a net receivable balance, the Company recognised service income amounting to RMB86,652.47 according to the net amount settled with Longda Company in 2013 (2012: RMB66,983.86).

The Company supplied water and electricity to Shenzhen International, Consulting Company and United Electronic Company with prices that are determined based on those charged by water and electricity supply companies. The individual transaction amounts were not disclosed as they are not material.

(b) Leases

(i) As a lessor

The Group leased office to United Electronic Company and Consulting Company in accordance with the rental contracts signed. The Group recognised rental income amounting to RMB120,998.00 in 2013 (2012: RMB406,902.00). The individual transaction amounts were not disclosed as they are not material.

(ii) As a lessee

Advertising Company, the subsidiary of the Company, rented office premise from Shenzhen International in accordance with rental contracts signed. The related rental expenses in 2013 amounted to RMB271,268.40 (2012: RMB1,627,610.40).

Advertising Company, the subsidiary of the Company, rented billboard land use rights from Longda Company, Huayu Company, Qinglong Company, SC Logistics Company, Xin Tong Chan Company and Huatongyuan Company in accordance with rental contracts signed. Total rental expenses in 2013 amounted to RMB2,678,400.00 (2012: RMB2,187,940.30). The individual transaction amounts were not disclosed as they are not material.

(c) Related party trusteeship

Entrusting party	Type of entrustment	Entrusted party	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	**Entrusted revenue recognised in 2013**	Entrusted revenue recognised in 2012
Baotong Company	Equity trusteeship	the Company	1 January 2012	31 December 2013	Negotiated price	**18,000,000.00**	18,000,000.00

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(d) Financing

	Amount	Interests	Starting date	Ending date
Advances from –				
GZ W2 Company	7,500,000.00	–	9 December 2013	No fixed repayment date, but repayable on demand
Qinglong Company	80,000,000.00	1,133,333.33	6 January 2013	31 March 2013, and duly repaid
Qinglong Company	36,000,000.00	1,032,000.00	6 January 2013	31 August 2013, but repaid in advance on 27 June 2013
Qinglong Company	22,000,000.00	630,666.67	6 January 2013	31 December 2013, but repaid in advance on 27 June 2013
Qinglong Company	32,000,000.00	917,333.33	6 January 2013	31 August 2014, but repaid in advance on 27 June 2013
Qinglong Company	30,000,000.00	860,000.00	6 January 2013	31 December 2014, but repaid in advance on 27 June 2013
Qinglong Company	20,000,000.00	180,000.00	9 July 2013	31 August 2013, and duly repaid
Qinglong Company	16,000,000.00	144,000.00	9 July 2013	31 August 2013, and duly repaid
Qinglong Company	22,000,000.00	645,333.33	9 July 2013	31 December 2013, and duly repaid
Qinglong Company	32,000,000.00	938,666.67	9 July 2013	31 August 2014
Qinglong Company	30,000,000.00	798,666.67	9 July 2013	31 December 2014, but partly repaid 4,000,000.00 in advance on 31 August 2013
Qinglong Company	400,000.00	–	31 December 2013	31 August 2014
	327,900,000.00	7,280,000.00		

(e) Advance on behalf of related companies

During current year, according to the framework agreements signed with SIHCL on 6 November 2009 in relation to the entrustment of operation and management on Coastal Company (Note 7(5)(a)(ii)), the Group paid upfront operating costs amounting to RMB8,385,331.16 on behalf of Coastal Company (2012: nil).

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(f) Remuneration of key management personnel

	2013	2012
Remuneration of key management personnel	**10,944,500.00**	10,627,500.00

Key management personnel include directors, supervisor and senior management staff. In current year, the Company has 22 key management personnel (2012: 22 personnel).

(g) Directors and supervisors' emoluments

Directors and supervisors' emoluments for the year ended 31 December 2013 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	–	959,000.00	959,000.00
Wu Ya De*	–	960,000.00	960,000.00
Chiu Chi Cheong, Clifton	350,000.00	–	350,000.00
Au Sing Kun	180,000.00	–	180,000.00
Lin Chu Chang	180,000.00	–	180,000.00
Wang Hai Tao	180,000.00	–	180,000.00
Zhang Li Min	180,000.00	–	180,000.00
Fang Jie*	–	604,000.00	604,000.00

Directors and supervisors' emoluments for the year ended 31 December 2012 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	–	958,000.00	958,000.00
Wu Ya De*	–	958,000.00	958,000.00
Chiu Chi Cheong, Clifton	350,000.00	–	350,000.00
Au Sing Kun	180,000.00	–	180,000.00
Lin Chu Chang	180,000.00	–	180,000.00
Wang Hai Tao	180,000.00	–	180,000.00
Zhang Li Min	180,000.00	–	180,000.00
Fang Jie*	–	588,000.00	588,000.00

* The directors and supervisor's emoluments have been included in remuneration of key management personnel in Note 7(5)(f).

The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, the directors, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton, Wang Hai Tao, Zhang Li Min, Au Sing Kun, Lin Chu Chang and the supervisors, Zhong Shan Qun, He Sen and Fang Jie are entitled to meeting allowance (after individual income tax) amounting to RMB11,500.00, RMB10,000.00, RMB6,500.00, RMB7,500.00, RMB9,500.00, RMB4,500.00, RMB7,500.00, RMB10,500.00, RMB10,000.00, RMB11,000.00, RMB14,000.00, RMB9,500.00, RMB3,500.00, RMB4,500.00, and RMB6,500.00. The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, the directors, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong and the supervisor, Zhong Shan Qun have waived to receive the directors' meeting allowance of the current year.

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(g) Directors and supervisors' emoluments (continued)

During the year ended 31 December 2013, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, were entitled to the pension schemes contribution of RMB103,000.00 (2012: RMB88,000.00) and RMB104,000.00 (2012: RMB93,000.00), respectively.

In addition, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, are also entitled to other benefits and allowances including medical schemes contribution, festival allowance and car allowance, with amounts of RMB58,500.00 (2012: RMB55,000.00) and RMB58,500.00 (2012: RMB55,000.00) respectively during the year ended 31 December 2013.

(h) The five top paid individuals

The five top paid individuals of the Group for the year include 2 (2012: 2 directors) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2012: 3 directors) individuals during the year are as follows:

	2013	2012
Basic salaries, bonus, housing allowance, other allowances in kind	**2,654,500.00**	2,619,000.00
Pension	**294,000.00**	246,000.00
	2,948,500.00	2,865,000.00

	Number of individuals	
	2013	2012
Emolument bands:		
HKD0 – HKD1,000,000	**–**	–
HKD1,000,001 – HKD1,500,000	**3**	3
HKD1,500,001 – HKD2,000,000	**–**	–

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(6) Receivables from and payables to related parties

		31 December 2013	31 December 2012
Accounts receivables	Coastal Company	**105,562,861.17**	78,741,667.61
	Baotong Company	**2,295,854.23**	2,295,854.23
		107,858,715.40	81,037,521.84
Dividends payable	Flywheel Investments Limited	**68,146.67**	–
Other receivables	Coastal Company	**8,385,331.16**	–
	Huayu Company	**20,000.00**	–
	Longda company	**10,000.00**	–
	Consulting Company	**8,472.00**	–
	United Electronic Company	**6,620.00**	–
		8,430,423.16	–
Advances to suppliers	Consulting Company	**3,035,060.00**	3,127,180.20
Accounts payable	Consulting Company	**6,738,801.10**	–
Other payables	Nanjing Third Bridge Company	**33,526,376.43**	39,544,681.47
	GZ W2 Company	**30,000,000.00**	22,500,000.00
	United Electronic Company	**1,477,986.12**	1,336,522.58
	Consulting Company	**7,110,218.85**	131,341.00
	Shenzhen International	**5,000.00**	5,000.00
		72,119,581.40	63,517,545.05
Short-term borrowings	Qinglong Company	**400,000.00**	–
Current portion of non-current liabilities	Qinglong Company	**58,000,000.00**	–
Interest payable	Qinglong Company	**–**	3,733,400.00

(7) Commitments to related parties

Commitments in relation to related parties contracted for but not yet recognised on the balance sheet by the Group as at the balance sheet date are as follows:

(a) Receiving of services

	31 December 2013	31 December 2012
Consulting Company	**36,483,921.26**	32,392,485.71

8 CONTINGENCIES

(1) In 2011, the Company signed a construction management service contract with Shenzhen Traffic Public Facilities Construction Center who represents the Shenzhen government, entrusted to manage the construction of Longda Municipal Project. The Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.00.

(2) As stated in Note 5(10), pursuant to a notice issued by Guangdong Provincial Transportation Department (Yue Jiao Ming Dian (2013) No. 56), National Highway No.107 (Qinglian Section) operated by Qinglian Company, a subsidiary of the Company, ceased its toll collection from 24:00 on 30 June 2013. According to the latest communication result with relevant government authority and the transition arrangement of related assets, Qinglian Company may assume obligation for maintenance and resurfacing of National Highway No.107 (Qinglian Section) to achieve a condition accepted by relevant government authority. As at the date of approval of the financial statements, the communication in relation to the transition arrangement of related assets was still in progress and the outcome of whether the maintenance and resurfacing would be carried out could not be estimated reliably. As a result, the directors of the Company did not make any provision for the maintenance and resurfacing expenses.

(3) Arbitration in progress

Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Count of Guangdong Province. As at the date of approval of the financial statements, the litigation was still in progress. Considering the nature of project and construction status of upgrading project, the directors of the Company considered that the outcome of the litigation would not lead to any significant impact on the Company's operating results.

9 COMMITMENTS

(1) Capital commitments

(a) Capital expenditures contracted for but not yet recognised on the balance sheet are as follows:

	31 December 2013	31 December 2012
Expressway construction projects	**499,204,893.31**	662,605,498.80

It mainly represents capital commitments relating to the Reconstruction and Extension of Meiguan Expressway Project and Outer Ring Expressway.

(b) Capital commitments approved by the management but are not yet contracted for

	31 December 2013	31 December 2012
Expressway construction projects	**148,380,999.50**	241,005,584.59

As at 31 December 2013 and 31 December 2012, the joint ventures had no capital commitments.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

9 COMMITMENTS (CONTINUED)

(2) Commitment in related to real estate projects to be developed

	31 December 2013	31 December 2012
Contracted for but not yet recognised on the balance sheet	**18,740,504.00**	–

(3) Performance status of commitments in previous years

The Group had fulfilled its capital commitments outstanding as at 31 December 2012.

10 EVENTS AFTER THE BALANCE SHEET DATE

(1) Dividend distribution after the balance sheet date (a)

Dividend authorised to declare	348,923,252.16

(a) In accordance with a resolution of the Board of Directors' meeting dated on 19 March 2014, the Board of Directors proposed a dividend in the amount of RMB348,923,252.16 to the shareholders, which was not recorded as liability in the financial statements for the year ended 31 December 2013 (Note 5(28)).

(2) On 24 January 2014, the Company and Guangdong Cement Company Limited, the minority interest, completed the capital injection accounting to RMB255,040,002.36 in total to Qinglian Company based on their respective equity percentage.

(3) As approved by the Board of Directors of the Company on 26 January 2014, the Company, 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' ('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 Company has agreed to implement toll-free for section from Meilin to Guanlan of Meiguan Expressway with a distance of approximately 13.8 km ('Toll Free Section') from 24:00 on 31 March 2014, but the toll of Shenzhen-Dongguan border to Guanlan of Meiguan Expressway with a distance of 5.4 km will remain unchanged. The People's Government of Shenzhen has agreed to make cash compensation to the Company, including the compensation of the present value of future income of the Toll Free Section of approximately RMB1,597,950,000 and other relevant costs/expenses of approximately RMB1,102,370,000 (preliminary figure, subject to the actual amount or audit figure of the relevant governmental audit department).

The Group did not separately account for the Toll Free Section. Based on estimation using the highway distance and location of material structures and ancillary facilities, the estimated net book value of the concession intangible assets, fixed assets and construction in progress of the Toll Free Section amounted to approximately RMB863,490,000 in total as at 31 December 2013. The Toll Free Section would not contribute any toll revenue to the Group from 24:00 on 31 March 2014. Meanwhile, the assets disposals pursuant to the Adjustment Agreement are expected to generate an increase to the Group's net profit amounting to RMB1.1 billion in 2014, as well as an increase to equity attributable to owners of the Company amounting to RMB1.1 billion. The Adjustment Agreement is yet to be approved by the Shareholders' Meeting of the Company and further approved by the People's Government of Shenzhen before effective.

11 FINANCIAL INSTRUMENTS AND RISK

The Group's activities expose it 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) Financial risk factors

(a) Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and 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, primarily with respect to HK dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to mitigate the foreign exchange risk. The Group has entered into cross currency interest rate swap contract to minimise foreign exchange risk.

As at 31 December 2013 and 31 December 2012, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2013		
	HKD	**Other foreign currencies**	**Total**
Financial assets denominated in foreign currency –			
Cash at bank and on hand	**1,201,692.44**	**95,453.12**	**1,297,145.56**
Financial liabilities denominated in foreign currency –			
Current portion of non-current liabilities	**281,616,840.00**	**–**	**281,616,840.00**

	31 December 2012		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	3,672,859.37	97,055.93	3,769,915.30
Financial liabilities denominated in foreign currency –			
Current portion of non-current liabilities	17,028,900.00	–	17,028,900.00
Long-term borrowings	410,315,400.00	–	410,315,400.00
	427,344,300.00	–	427,344,300.00

Regardless of the borrowing amounting to HKD336 million of which the foreign exchange risks have been hedged by the cross currency interest rate swap (Note 5(24)), as at 31 December 2013, if the currency had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the year would have been approximately RMB1,625,408.11 (31 December 2012: RMB13,423,227.71) higher/lower.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

11 FINANCIAL INSTRUMENTS AND RISK

(1) Financial risk factors (continued)

(b) Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2013, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB4,692,014,000.00 (31 December 2012: approximately RMB4,652,939,400.00).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions.

In current year, if interest rates on the floating rate borrowings and bonds payable had risen/fallen 50 basis points while all other variables had been held constant, the Group's net profit would have decreased/increased by approximately RMB16,528,461.18 (31 December 2012: approximately RMB19,053,183.11).

(c) Credit risk

The Group expects that there is no significant credit risk. The carrying values of cash at bank an on hand, accounts receivable and other receivables maximum credit risk of the Group.

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

	31 December 2013	31 December 2012
State-owned banks	**826,419,772.59**	679,823,902.53
Other banks	**255,042,327.18**	1,265,533,556.10
	1,081,462,099.77	1,945,357,458.63

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and the others are the listed banks or commercial banks at large/medium size. The management do not expect any losses from non-performance by these counterparties.

Due to the business nature of the Group, as at 31 December 2013, the Group derived management services revenue from local government authorities in Shenzhen and the amounts due from government authorities in Guizhou Longli County relating to the Longli BT Project and the joint land development project were approximately RMB562 million (2012: RMB333 million) in aggregate. The directors of the Company considered that the related credit risks were controllable. The Group did not have other significant concentration of credit risk arising from other customers.

(d) Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities so as to meet the short-term and long-term liquidity requirements.

11 FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

(1) Financial risk factors (continued)

(d) Liquidity risk (continued)

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:

	31 December 2013				
	Within 1 year	**1 to 2 years**	**2 to 5 years**	**Over 5 years**	**Total**
Financial assets –					
Cash at bank and on hand	**1,094,796,690.93**	**–**	**–**	**–**	**1,094,796,690.93**
Receivables (Note 1)	**661,313,286.21**	**–**	**–**	**–**	**661,313,286.21**
	1,756,109,977.14	**–**	**–**	**–**	**1,756,109,977.14**
Financial liabilities –					
Short-term borrowings	**463,160,569.86**	**–**	**–**	**–**	**463,160,569.86**
Current portion of non-current liabilities (Note 3)	**545,446,886.01**	**–**	**–**	**–**	**545,446,886.01**
Payables (Note 2)	**894,519,899.67**	**–**	**–**	**–**	**894,519,899.67**
Long-term borrowings	**306,732,949.80**	**783,510,887.10**	**2,527,713,230.59**	**3,338,288,596.54**	**6,956,245,664.03**
Bonds payables	**181,200,000.00**	**981,200,000.00**	**1,722,000,000.00**	**976,000,000.00**	**3,860,400,000.00**
	2,391,060,305.34	**1,764,710,887.10**	**4,249,713,230.59**	**4,314,288,596.54**	**12,719,773,019.57**

	31 December 2012				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial assets –					
Cash at bank and on hand	1,956,056,006.44	–	–	–	1,956,056,006.44
Receivables (Note 1)	425,580,143.28	–	–	–	425,580,143.28
	2,381,636,149.72	–	–	–	2,381,636,149.72
Financial liabilities –					
Short-term borrowings	1,058,027.40	–	–	–	1,058,027.40
Current portion of non-current liabilities (Note 3)	2,373,345,801.20	–	–	–	2,373,345,801.20
Payables (Note 2)	1,077,963,154.28	–	–	–	1,077,963,154.28
Long-term borrowings	300,061,538.72	689,516,545.20	2,139,508,896.58	4,074,335,185.79	7,203,422,166.29
Bonds payables	181,200,000.00	181,200,000.00	2,659,200,000.00	1,020,000,000.00	4,041,600,000.00
Derivative liabilities	1,590,644.65	23,107,949.98	–	–	24,698,594.63
	3,935,219,166.25	893,824,495.18	4,798,708,896.58	5,094,335,185.79	14,722,087,743.80

Note 1: Receivables comprise accounts receivable before any bad debt provision, other receivables before any bad debt provision and interest receivable.

Note 2: Payables comprise accounts payable and other payables.

Note 3: Excluding current portion of provisions for maintenance/resurfacing obligations.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

11 FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

(1) Financial risk factors (continued)

(d) Liquidity risk (continued)

Borrowings and bonds payable are analysed by repayment terms as follows:

	31 December 2013		31 December 2012	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	**1,471,336,840.00**	**2,300,000,000.00**	429,344,300.00	4,500,000,000.00
Not wholly repayable within five years	**4,737,424,000.00**	**800,000,000.00**	4,906,624,000.00	800,000,000.00
	6,208,760,840.00	**3,100,000,000.00**	5,335,968,300.00	5,300,000,000.00

Since the Group has steady and sufficient cash flow from operation, sufficient banking facilities and proper financing arrangement to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group has no significant liquidity risk.

(2) Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'short-term borrowings, current portion of long-term borrowings and bonds payable, long-term borrowings and bonds payable') less cash balance disclosed in the consolidated cash flow statement. Total capital is calculated as 'owners' equity' as shown in the consolidated balance sheet plus net debt.

The Group manages capital status by periodic inspection to the gearing ratio. The gearing ratios at 31 December 2013 and 2012 were as follows:

	31 December 2013	31 December 2012
Total borrowings		
Short-term borrowings	**450,400,000.00**	1,000,000.00
Current portion of long-term borrowings	**501,346,840.00**	117,228,900.00
Current portion of bonds payable	**–**	2,145,968,878.01
Long-term borrowings	**5,257,014,000.00**	5,217,739,400.00
Bonds payable	**3,088,801,980.40**	3,081,681,079.84
	9,297,562,820.40	10,563,618,257.85
Less: cash balance disclosed in the consolidated cash flow statement	**(1,089,636,663.10)**	(1,954,204,126.56)
Net debt	**8,207,926,157.30**	8,609,414,131.29
Owners' equity	**11,238,985,660.20**	10,872,915,967.16
Total capital	**19,446,911,817.50**	19,482,330,098.45
Gearing ratio	**42.21%**	44.19%

12 FAIR VALUE ESTIMATION

The level of the fair value measurement result is determined by the lowest level of inputs that execute significant influence to the whole fair value measurement.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs observable directly or indirectly for identical assets or liabilities other than inputs included within level 1;

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) Continuing assets and liabilities measured at fair value

The following table presents the Group's assets and liabilities that are measured at fair value in the above three levels as at 31 December 2013:

	Level 1	**Level 2**	**Level 3**	**Total**
Financial assets	**–**	**–**	**–**	**–**
Financial liabilities – Current portion of derivative financial liabilities	**–**	**24,676,144.27**	**–**	**24,676,144.27**

The following table presents the Group's continuing assets and liabilities that are measured at fair value in the above three levels as at 31 December 2012:

	Level 1	Level 2	Level 3	Total
Financial assets	–	–	–	–
Financial liabilities – Derivative financial liabilities	–	16,070,892.42	–	16,070,892.42

The Group defines the date of a trigger event that leads to a transfer in levels as the level transferring date. There were no transfers between levels 1 and 2 during the year.

The fair value of a financial instrument that is traded in an active market is determined by the Group 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 the Group by using valuation techniques. Valuation techniques mainly include market approach and income approach. Inputs mainly contain risk-free interest rate of interest, benchmark interest rate, exchange rate, credit spreads, liquidity premium, EBITDA multiplier and illiquid discount and etc..

The financial department of the Group is responsible for the valuation of the financial assets and liabilities. Independent valuers are appointed to evaluate the fair value of the Group's derivative financial liabilities. The financial department of the Group independently validates the evaluation result, recording related accounting treatment and preparing disclosures in related to the fair value information basing on the validated valuation result.

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

12 FAIR VALUE ESTIMATION (CONTINUED)

(2) Assets and liabilities with fair value disclosure but not measured at fair value

Financial assets and liabilities measured at amortisation cost mainly include accounts receivable, short-term borrowings, current portion of long-term borrowings, 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.

	31 December 2013		31 December 2012	
	Carrying amount	**Fair value**	Carrying amount	Fair value
Financial liabilities –				
Long-term borrowings	**565,000,000.00**	**553,704,494.72**	565,000,000.00	548,641,193.55
Bonds payable	**3,088,801,980.40**	**2,985,348,814.86**	3,081,681,079.84	3,085,552,222.33
	3,653,801,980.40	**3,539,053,309.58**	3,646,681,079.84	3,634,193,415.88

The fair value of long-term borrowings with fixed interest rates 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, which belong to level 2.

13 ASSETS AND LIABILITIES MEASURED AT FAIR VALUES

	31 December 2012	Gains or losses arising from changes in fair value in current year	Cumulative amount of changes in fair value recognised directly in equity	Impairment loss in current year	**31 December 2013**
Derivative financial liabilities	16,070,892.42	–	(8,605,251.85)	–	**24,676,144.27**

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	31 December 2013	31 December 2012
Accounts receivable	**338,977,218.48**	340,856,332.71
Less: provision for bad debts	**–**	–
	338,977,218.48	340,856,332.71

(a) The ageing of accounts receivable is analysed as follows:

	31 December 2013	31 December 2012
Within 1 year	**136,582,499.51**	262,478,711.86
1 to 2 years	**181,978,297.62**	45,277,003.37
2 to 3 years	**14,250.00**	–
Over 3 years	**20,402,171.35**	33,100,617.48
	338,977,218.48	340,856,332.71

(b) Accounts receivable is analysed by categories as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	**–**	**–**	**–**	**–**	–	–	–	–
Provision made collectively								
– Group 1	**300,275,148.32**	**88.58%**	**–**	**–**	306,436,293.86	89.90%	–	–
– Group 2	**38,702,070.16**	**11.42%**	**–**	**–**	34,420,038.85	10.10%	–	–
Not individually significant but provision separately made	**–**	**–**	**–**	**–**	–	–	–	–
	338,977,218.48	**100.00%**	**–**	**–**	340,856,332.71	100.00%	–	–

(c) Group 2 is accounts receivable of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	**38,702,070.16**	**100.00%**	**–**	**–**	34,420,038.85	100.00%	–	–

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(1) Accounts receivable (continued)

(d) Accounts receivable from related parties is analysed as follows:

	Relationship with the Company	31 December 2013 Amount	31 December 2013 % of total balance	31 December 2013 Provision for bad debts	31 December 2012 Amount	31 December 2012 % of total balance	31 December 2012 Provision for bad debts
Coastal Company	Controlled by the ultimate holding company, together with the Company	**105,562,861.17**	**31.14%**	**–**	78,741,667.61	23.10%	–
Baotong Company	Controlled by the parent company, together with the Company	**2,295,854.23**	**0.68%**	**–**	2,295,854.23	0.67%	–
		107,858,715.40	**31.82%**	**–**	81,037,521.84	23.77%	–

(e) As at 31 December 2013 and 31 December 2012, there was no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

(f) As at 31 December 2013, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Due from Shenzhen Transportation Bureau in relation to the project management services provided to Nanping (Phase II) Project	Independent third party	135,147,953.62	1 to 3 years	39.87%
Due from Coastal Company in relation to the project management services provided to Coastal Project	Controlled by the ultimate holding company, together with the Company	105,562,861.17	1 to 3 years	31.14%
Due from Shenzhen Transportation Bureau in relation to the project management services provided to Nanping (Phase I) Project	Independent third party	34,098,880.63	1 to 2 years	10.06%
Revenue from revenues through unitoll cards	Independent third party	25,655,409.61	Within 1 year	7.57%
Due from Highway Bureau of Longgang Distinct in relation to the project management services to provided Hengping Project	Independent third party	19,557,071.35	1 to 4 years	5.77%
		320,022,176.38		94.41%

(g) As at 31 December 2013 and 31 December 2012, all accounts receivable were denominated in RMB.

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(2) Other receivables

	31 December 2013	31 December 2012
Loans to Qinglian Company	**19,093,239.13**	417,113,358.91
Loans to Guishen Company	**135,128,054.79**	–
Advances	**499,226,246.52**	398,098,491.93
Others	**1,800,483.55**	3,687,638.15
	655,248,023.99	818,899,488.99
Less: provision for bad debts	**–**	–
	655,248,023.99	818,899,488.99

(a) The ageing of other receivables is analysed as follows:

	31 December 2013	31 December 2012
Within 1 year	**653,987,596.52**	817,832,633.17
1 to 2 years	**580,494.90**	414,053.25
2 to 3 years	**679,932.57**	652,802.57
	655,248,023.99	818,899,488.99

(b) Other receivables are analysed by categories as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	**–**	**–**	**–**	**–**	–	–	–	–
Provision made collectively								
– Group 1	**652,571,769.66**	**99.59%**	**–**	**–**	815,125,655.12	99.54%	–	–
– Group 2	**2,676,254.33**	**0.41%**	**–**	**–**	3,773,833.87	0.46%	–	–
Not individually significant but provision separately made	**–**	**–**	**–**	**–**	–	–	–	–
	655,248,023.99	**100.00%**	**–**	**–**	818,899,488.99	100.00%	–	–

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(2) Other receivables (continued)

(c) Group 2 is other receivables of which provision was made collectively using ageing analysis method and is analysed as follows:

	31 December 2013				31 December 2012			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	1,415,826.86	52.90%	–	–	3,056,704.38	81.00%	–	–
1 to 2 years	580,494.90	21.69%	–	–	697,129.49	18.47%	–	–
2 to 3 years	679,932.57	25.41%	–	–	20,000.00	0.53%	–	–
	2,676,254.33	100.00%	–	–	3,773,833.87	100.00%	–	–

(d) As at 31 December 2013 and 31 December 2012, there were no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

(e) Other receivables from related parties were analysed as follows:

		31 December 2013			31 December 2012		
	Relationship with the Company	Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Meiguan Company	A subsidiary of the Company	383,784,086.37	58.57%	–	181,381,406.16	22.15%	–
Guishen Company	A subsidiary of the Company	135,128,054.79	20.62%	–	–	–	–
Airport-Heao Eastern Company	A subsidiary of the Company	97,286,222.51	14.85%	–	210,314,923.93	25.68%	–
Qinglian Company	A subsidiary of the Company	19,093,239.13	2.91%	–	417,113,358.91	50.94%	–
Coastal Company	Controlled by the ultimate holding company, together with the Company	8,385,331.16	1.28%	–	–	–	–
Outer Ring Company	A subsidiary of the Company	5,852,562.93	0.89%	–	4,392,561.13	0.54%	–
Consulting company	An associate of the Company	8,472.00	0.00%	–	–	–	–
United Electronic Company	One of its directors is the Company's key management personnel	845.00	0.00%	–	–	–	–
		649,538,813.89	99.12%	–	813,202,250.13	99.31%	–

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(2) Other receivables (continued)

(f) As at 31 December 2013, the five largest other receivables are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Advances to Meiguan Company	A subsidiary of the Company	383,784,086.37	Within 1 year	58.57%
Loans to Guishen Company	A subsidiary of the Company	135,128,054.79	Within 1 year	20.62%
Advances to Airport-Heao Eastern Company	A subsidiary of the Company	97,286,222.51	Within 1 year	14.85%
Loans to Qinglian Company	A subsidiary of the Company	19,093,239.13	Within 1 year	2.91%
Advances to Coastal Company	Controlled by the ultimate holding company, together with the Company	8,385,331.16	Within 1 year	1.28%
		643,676,933.96		98.23%

(g) As at 31 December 2013 and 31 December 2012, all other receivables were denominated in RMB.

(3) Long-term receivables

	31 December 2013	31 December 2012
Loans to Qinglian Company	**1,210,000,000.00**	818,333,335.01

(4) Long-term equity investments

	31 December 2013	31 December 2012
Subsidiaries – unquoted (a)	**4,882,517,546.15**	4,972,495,784.60
Joint ventures – unquoted (b)	**183,996,250.12**	174,639,254.25
Associates – unquoted (b)	**1,390,218,121.10**	1,448,933,932.74
Other long-term equity investment – unquoted (b)	**30,170,000.00**	30,170,000.00
	6,486,901,917.37	6,626,238,971.59
Less: Provision for impairment of long-term equity investments	**–**	–
	6,486,901,917.37	6,626,238,971.59

As at 31 December 2013, no provision for impairment of long-term equity investments was required (31 December 2012: nil).

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(4) Long-term equity investments (continued)

(a) Subsidiaries

	Ending balance of investment costs	31 December 2012	Investment cost recovered	31 December 2013	Cash dividend declared	Equity interest held	Voting rights held	Impairment
Airport-Heao Eastern Company	1,003,632,517.49	1,082,946,738.33	(79,314,220.84)	**1,003,632,517.49**	157,503,000.26	100%	100%	–
Meiguan Company	630,590,725.39	641,254,743.00	(10,664,017.61)	**630,590,725.39**	132,038,515.66	100%	100%	–
Advertising Company	3,325,000.01	3,325,000.01	–	**3,325,000.01**	11,766,037.65	95%	95%	–
Mei Wah Company	831,769,303.26	831,769,303.26	–	**831,769,303.26**	–	100%	100%	–
Qinglian Company	1,933,200,000.00	1,933,200,000.00	–	**1,933,200,000.00**	–	51.37%	51.37%	–
Outer Ring Company	100,000,000.00	100,000,000.00	–	**100,000,000.00**	–	100%	100%	–
Expressway Investment Company	380,000,000.00	380,000,000.00	–	**380,000,000.00**	–	95%	95%	–
	4,882,517,546.15	4,972,495,784.60	(89,978,238.45)	**4,882,517,546.15**	301,307,553.57			–

The Company uses cost method to account for investments in the above subsidiaries.

As stated in Note 5(23)(b), the full amount of principal and interest of the Company's corporate 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 Company.

(b) The detailed information of associates and other long-term equity investments are set out in Note 5(6)(a), Note 5(6)(b) and Note 5(6)(c). The directors of the Company considered that the Group has no material joint venture or associate for the year ended 31 December 2013 and 2012 as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Company.

(5) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
Cost					
31 December 2012	381,619,282.45	576,286,966.75	16,383,231.45	38,036,353.00	1,012,325,833.65
Additions in current year	–	251,532.66	832,000.00	1,654,509.51	2,738,042.17
Adjustment to cost due to final settlement in current year	20,468,468.75	8,348,367.62	–	–	28,816,836.37
Current year reductions	–	–	(507,000.00)	(1,121,712.27)	(1,628,712.27)
31 December 2013	402,087,751.20	584,886,867.03	16,708,231.45	38,569,150.24	1,042,251,999.92
Accumulated depreciation					
31 December 2012	89,723,741.87	289,651,858.89	13,138,732.98	29,182,688.46	421,697,022.20
Current year additions	13,304,706.48	46,653,164.48	1,143,504.79	3,594,866.29	64,696,242.04
Current year reductions	–	–	(481,650.00)	(1,052,388.58)	(1,534,038.58)
31 December 2013	103,028,448.35	336,305,023.37	13,800,587.77	31,725,166.17	484,859,225.66
Net book value					
31 December 2013	**299,059,302.85**	**248,581,843.66**	**2,907,643.68**	**6,843,984.07**	**557,392,774.26**
31 December 2012	291,895,540.58	286,635,107.86	3,244,498.47	8,853,664.54	590,628,811.45

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(5) Fixed assets (continued)

The Company has buildings with net book value of RMB194,533,042.97 (cost: RMB276,629,917.58) lacking certificates of ownership (31 December 2012: net book value of RMB183,423,772.38, cost of RMB256,161,448.83). Due to the unique feature of the Company's operation, toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire. Thus, the Company has no intention to acquire the related property ownership certificates.

In 2013, depreciation expenses amounting to RMB59,308,419.79 (2012: RMB64,666,013.95) and RMB5,387,822.25 (2012: RMB5,638,694.25) had been charged in costs of services and general and administrative expenses, respectively. As at 31 December 2013, no provision for impairment of fixed assets was required (31 December 2012: nil).

(6) Construction in progress

Name	Budget	31 December 2012	Current year additions	**31 December 2013**	Source of funds	% contribution in budget of current year	Progress of construction
Toll-by-weight projects	12 million	–	8,460,481.04	**8,460,481.04**	Self-owned funds	70.50%	In progress
Integrated toll system projects	3 million	–	3,025,555.27	**3,025,555.27**	Self-owned funds	97.73%	In progress
Toll lanes reconstruction projects	46 million	–	2,847,755.00	**2,847,755.00**	Self-owned funds	6.18%	In progress
Others	*	2,837,057.32	5,500,571.47	**8,337,628.79**	Self-owned funds	*	In progress
		2,837,057.32	19,834,362.78	**22,671,420.10**			

* The budgets of these projects are not disclosed as the amounts are not material.

As at 31 December 2013, no provision for impairment of construction in progress was required (31 December 2012: nil).

(7) Intangible assets

	Cost	31 December 2012	Current year adjustment to cost due to final completion accounts	Current year additions	Current year amortisation	**31 December 2013**	Accumulated amortisation
Concession intangible assets	5,800,519,433.87	4,981,454,490.46	(66,600,452.02)	27,378,415.09	(204,980,556.66)	**4,737,251,896.87**	(1,063,267,537.00)
– Nanguang Expressway	2,790,981,381.35	2,607,675,384.63	–	27,378,415.09	(69,993,361.82)	**2,565,060,437.90**	(225,920,943.45)
– Yanba Expressway	1,255,337,192.11	1,155,889,969.70	(66,600,452.02)	–	(40,367,164.26)	**1,048,922,353.42**	(206,414,838.69)
– Yanpai Expressway	910,532,308.18	703,635,716.21	–	–	(47,752,166.67)	**655,883,549.54**	(254,648,758.64)
– Shenzhen Airport-Heao Expressway (Western Section)	843,668,552.23	514,253,419.92	–	–	(46,867,863.91)	**467,385,556.01**	(376,282,996.22)
Office software	3,282,461.60	1,200,898.95	–	1,615,841.60	(418,167.92)	**2,398,572.63**	(883,888.97)
Total	5,803,801,895.47	4,982,655,389.41	(66,600,452.02)	28,994,256.69	(205,398,724.58)	**4,739,650,469.50**	(1,064,151,425.97)

The amortisation of intangible assets amounting to RMB205,398,724.58 was charged into current year's income statement (2012: RMB165,896,552.14).

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(8) Accounts payable

The ageing of accounts payable based on their recording dates is analysed as follows:

	31 December 2013	31 December 2012
Within 1 year (including 1 year)	**1,071,742.00**	7,684,220.75
Over 1 year	**47,176,775.62**	78,522,805.31
	48,248,517.62	86,207,026.06

(9) Borrowings and bonds payable

Borrowings and bonds payables are analysed by repayment terms as follows:

	31 December 2013		31 December 2012	
	Borrowings	**Bonds payable**	Borrowings	Bonds payable
Wholly repayable within five years	**1,172,563,200.00**	**2,300,000,000.00**	290,491,300.00	4,500,000,000.00
Not wholly repayable within five years	**565,000,000.00**	**800,000,000.00**	565,000,000.00	800,000,000.00
	1,737,563,200.00	**3,100,000,000.00**	855,491,300.00	5,300,000,000.00

(10) Provisions

	31 December 2012	Current year movement	**31 December 2013**
Provisions for maintenance/resurfacing obligations	403,751,799.85	(102,468,683.19)	**301,283,116.66**
Less: current portion	(207,859,389.48)	113,555,488.43	**(94,303,901.05)**
	195,892,410.37	11,086,805.24	**206,979,215.61**

(11) Revenue and cost of services

	2013	2012
Revenue from main businesses (a)	**1,029,443,252.92**	955,242,007.62
Revenue from other businesses (b)	**154,239,993.86**	293,581,222.10
	1,183,683,246.78	1,248,823,229.72
Cost of main businesses (a)	**418,521,773.10**	384,191,744.94
Cost of other businesses (b)	**39,574,549.34**	145,057,777.24
	458,096,322.44	529,249,522.18

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(11) Revenue and cost of services (continued)

(a) Revenue and cost of services from main operation

	2013		2012	
	Revenue from main business	**Cost of main business**	Revenue from main business	Cost of main business
Revenue from toll road	**1,029,443,252.92**	**418,521,773.10**	955,242,007.62	384,191,744.94

The Company's revenue from toll road is all generated from Shenzhen region.

(b) Revenue and cost of services from other businesses

	2013		2012	
	Revenue from other businesses	**Cost of other businesses**	Revenue from other businesses	Cost of other businesses
Management services revenue	**142,922,344.12**	**38,068,763.80**	284,949,878.18	143,113,128.74
Other revenues	**11,317,649.74**	**1,505,785.54**	8,631,343.92	1,944,648.50
	154,239,993.86	**39,574,549.34**	293,581,222.10	145,057,777.24

(c) Revenue from the five largest customers of the Company

Except for revenue from toll road, revenue from the five largest customers of the Company amounted to RMB145,318,305.25 (2012: RMB286,778,907.77) which accounted for 12.28% (2012: 22.96%) of the total revenue of the Company. The detail is analysed below:

	Revenue	**% of total revenue**
Shenzhen Transportation Bureau	75,732,869.06	6.40%
Coastal Company	46,821,193.56	3.96%
Baotong Company	18,000,000.00	1.52%
China Mobile Limited Guangdong Shenzhen Branch	2,395,961.48	0.20%
Shenzhen Traffic Public Facilities Construction Center	2,368,281.15	0.20%
	145,318,305.25	12.28%

(12) Financial expenses – net

	2013	2012
Interest expense	**230,144,871.98**	269,489,551.62
Including: Interest expenses from borrowings	**40,007,659.08**	79,299,022.88
Interest expenses from bonds payable	**207,105,232.92**	199,520,528.74
Interest capitalised	**(16,968,020.02)**	(9,330,000.00)
Time value of provision for maintenance/ resurfacing obligations	**24,502,875.48**	25,073,762.60
Less: Interest income	**(17,497,138.96)**	(28,808,587.52)
Exchange (gains)/loss	**(9,537,160.96)**	2,386,580.29
Others	**625,918.29**	5,779,476.58
	228,239,365.83	273,920,783.57

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(12) Financial expenses – net (continued)

Interest expenses are analysed by the repayment terms of bank and other borrowings as follows:

	2013		2012	
	Bank borrowings	**Bonds payable**	Bank borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	**4,757,954.08**	**207,105,232.92**	42,731,184.52	199,520,528.74
Borrowings and bonds not wholly repayable within five years	**35,249,705.00**	**–**	36,567,838.36	–
	40,007,659.08	**207,105,232.92**	79,299,022.88	199,520,528.74

(13) Investment income

	2013	2012
Income from long-term equity investments under cost method	**301,307,553.57**	314,551,297.54
Income from long-term equity investments under equity method	**185,676,580.93**	128,649,538.40
Income from disposal of investments in a joint venture	**–**	450,000.00
	486,984,134.50	443,650,835.94

(a) Investment income from long-term equity investments under cost method

Investees that contributed investment income for more than 5% of the Company's total profit, or the top five investees that contributed most investment income to the Company's total profit are set out as follows:

	2013	2012	Reason for current year fluctuation
Airport-Heao Eastern Company	**157,503,000.26**	158,079,859.57	Increase in amortisaion due the increased of traffic volume during toll-free holidays
Meiguan Company	**132,038,515.66**	156,471,437.97	Decrease in toll road revenue.
	289,541,515.92	314,551,297.54	

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(13) Investment income (continued)

(b) Investment income from long-term equity investments under equity method

Investees that contributed investment income for more than 5% of the Company's total profit, or the top five investees that contributed most investment income to the Company's total profit are set out as follows:

	2013	2012	Reason for current year fluctuation
Qinglong Company	**61,633,172.62**	57,757,586.90	Toll road revenue increased
Yangmao Company	**56,941,292.18**	39,495,941.77	Toll road revenue increased and financial expenses decreased
Nanjing Third Bridge Company	**21,111,322.77**	6,083,983.89	Toll road revenue increased and financial expenses decreased
Guangyun Company	**20,849,549.37**	20,719,836.26	Toll road revenue increased
Shenchang Company	**13,045,940.84**	2,943,895.62	Toll road revenue increased and special maintenance expenses decreased
	173,581,277.78	127,001,244.44	

(14) Income tax expenses

	2013	2012
Current income tax calculated according to tax law and related regulations	**81,220,819.59**	99,992,215.73
Deferred income tax	**11,216,231.67**	(17,404,088.00)
	92,437,051.26	82,588,127.73

The reconciliation from income tax calculated based on the applicable tax rates and profit before tax presented in the financial statements to the income tax expense is listed below:

	2013	2012
Profit before tax	**864,021,647.91**	776,288,801.58
Income tax expenses calculated at applicable tax rate of 25% (2012: 25%)	**216,005,411.98**	194,072,200.40
Income not subject to tax	**(126,103,011.23)**	(112,684,450.27)
Expenses not deductible for tax purposes	**2,824,804.35**	1,587,249.38
Deduction of the amortisation of transaction costs of convertible bonds	**(290,153.84)**	(386,871.78)
Income tax expenses	**92,437,051.26**	82,588,127.73

Notes to financial statements

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

14 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(15) Supplementary information to cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	2013	2012
Net profit	**771,584,596.65**	693,700,673.85
Add: Amortisation of investment properties	**575,700.00**	575,700.00
Depreciation of fixed assets	**64,696,242.04**	70,304,708.20
Amortisation of intangible assets	**205,398,724.58**	165,896,552.14
Amortisation of long-term prepaid expenses	**914,778.12**	914,778.12
Losses on disposal of fixed assets	**77,599.69**	490,791.23
Financial expenses	**228,239,365.83**	273,920,783.57
Investment income	**(486,984,134.50)**	(443,650,835.94)
Decrease/(increase) in deferred tax assets	**11,216,231.67**	(17,404,088.00)
Decrease/(increase) in inventories	**209,079.76**	(237,714.83)
Increase in operating receivables	**(164,096,431.12)**	(663,963,082.72)
(Decrease)/increase/in operating payables	**(50,098,378.32)**	379,784,042.81
Net cash flows from operating activities	**581,733,374.40**	460,332,308.43

(b) Net change in cash

	2013	2012
Cash at the end of the year	**415,547,266.82**	1,166,746,594.53
Less: cash at the beginning of the year	**(1,166,746,594.53)**	(1,412,201,859.12)
Net decrease in cash	**(751,199,327.71)**	(245,455,264.59)

(c) Cash and cash equivalents

	31 December 2013	31 December 2012
Cash at bank and on hand	**420,707,294.65**	1,168,598,474.41
Less: Restricted bank balances (Note 5(1))	**(1,371,284.40)**	(1,851,879.88)
Bank balances frozen (Note 5(1))	**(3,788,743.43)**	–
Cash at the end of the year	**415,547,266.82**	1,166,746,594.53

15 NET CURRENT ASSETS

	Group	
	31 December 2013	31 December 2012
Current assets	**2,237,727,753.83**	2,704,917,808.58
Less: current liabilities	**(2,234,389,118.33)**	(3,889,541,786.88)
Net current assets/(liabilities)	**3,338,635.50**	(1,184,623,978.30)

	Company	
	31 December 2013	31 December 2012
Current assets	**1,421,950,956.80**	2,336,316,457.96
Less: current liabilities	**(1,254,865,262.77)**	(2,903,659,968.70)
Net current assets/(liabilities)	**167,085,694.03**	(567,343,510.74)

16 TOTAL ASSETS LESS CURRENT LIABILITIES

	Group	
	31 December 2013	31 December 2012
Total assets	**22,840,107,479.91**	24,209,125,042.19
Less: current liabilities	**(2,234,389,118.33)**	(3,889,541,786.88)
Total assets less current liabilities	**20,605,718,361.58**	20,319,583,255.31

	Company	
	31 December 2013	31 December 2012
Total assets	**14,524,393,916.72**	15,452,527,016.22
Less: current liabilities	**(1,254,865,262.77)**	(2,903,659,968.70)
Total assets less current liabilities	**13,269,528,653.95**	12,548,867,047.52

Supplementary Information

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

1 DETAILED LIST OF NON-RECURRING PROFIT OR LOSS ITEMS

	2013	2012	Note
Profits from entrusted management services	**16,990,200.00**	16,990,200.00	Profits from entrusted management services provided to Longda Company in current year.
The amortisation of compensation provided by concession grantor	**16,394,108.60**	13,749,423.41	The amortisation of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognised in current year according to traffic volume method which disclosed as a deduction of the amortisation of the related concession intangible assets.
Income from disposal of investments in a joint venture	**–**	450,000.00	
Net loss from disposal of assets in related to National Highway No.107 (Qinglian Section) (including removal expenses)	**(241,244,535.65)**	–	
Other profit or loss items that meet the definition of non-recurring profit or loss	**2,608,984.04**	(1,411,301.77)	
	(205,251,243.01)	29,778,321.64	
Impact of income tax	**53,787,903.93**	(5,379,862.27)	Tax impact of the non-recurring profit and loss.
Impact of minority interests (after tax)	**42,740,678.54**	432,521.40	
	(108,722,660.54)	24,830,980.77	

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 arise 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.

2 RETURN ON NET ASSETS AND EARNINGS PER SHARE

	Weighted average return on net assets (%)		Earnings per share			
			Basic earnings per share		Diluted earnings per share	
	2013	2012	2013	2012	2013	2012
Net profit attributable to ordinary owners of the Company	**7.40%**	7.33%	**0.330**	0.314	**0.330**	0.314
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	**8.51%**	7.06%	**0.380**	0.303	**0.380**	0.303

3 EXPLANATIONS OF SIGNIFICANT FLUCTUATIONS AND RELATED REASONS ON MAJOR ITEMS OF THE FINANCIAL STATEMENTS

The significant items with fluctuations over 30% (including 30%) are analysed as below:

		31 December 2013	31 December 2012	Increase/ (decrease)(%)
Cash at bank and on hand	1	**1,094,796,690.93**	1,956,056,006.44	(44.03)
Advances to suppliers	2	**134,809,901.75**	320,335,136.60	(57.92)
Other receivables	3	**165,948,978.57**	37,496,747.37	342.57
Inventories	4	**345,018,118.72**	2,980,022.26	11,477.70
Other current assets	5	**1,755,109.55**	–	Not applicable
Long-term prepayments	6	**4,814,364.00**	–	Not applicable
Construction in progress	7	**36,340,507.58**	16,357,384.44	122.17
Short-term borrowings	8	**450,400,000.00**	1,000,000.00	44,940.00
Account payable	9	**375,719,993.22**	661,807,999.88	(43.23)
Interest payable	10	**70,058,287.20**	102,406,437.69	(31.59)
Current portion of non-current liabilities	11	**620,326,885.32**	2,538,991,115.62	(75.57)
Other current liabilities	12	**1,923,817.30**	–	Not applicable
Derivative liabilities	13	**–**	16,070,892.42	(100.00)
Investment income	14	**185,676,580.93**	129,099,538.40	43.82
Non-operating expenses	15	**244,410,693.27**	4,357,114.10	5,509.46
Net cash flows from financing activities	16	**(2,121,387,389.90)**	(1,315,954,348.55)	61.21

Supplementary Information

For the year ended 31 December 2013
(All amounts in RMB unless otherwise stated)

3 EXPLANATIONS OF SIGNIFICANT FLUCTUATIONS AND RELATED REASONS ON MAJOR ITEMS OF THE FINANCIAL STATEMENTS (CONTINUED)

1. Medium-term notes and convertible bonds are repaid upon maturity in 2013.

2. In 2012, Guishen Company made prepayment of approximately RMB309,000,000 as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 883 mu. In 2013, Guishen Company made further prepayment of land-transfer fund and related deed taxes of approximately RMB155,000,000 as a result of tender for another piece of land located in Longli County, Guizhou Province with area of approximately 400 mu. About 933 mu of the above land had met related delivery conditions in the acquisition contract and related prepayment for land use right and deed taxes amounting to RMB342,000,000 were recognised as inventories based on its intention of holding.

3. The advance made to Longli BT Project increased in 2013.

4. As stated in the Note 2 above, 933 mu of the above land had met related delivery conditions in the acquisition contract and related prepayment for land use right and deed taxes amounting to RMB342,000,000 were recognised as inventories based on its intention of holding.

5. Parts of business tax and CIT in related to Longli BT Project were prepaid by Guishen Company in 2013.

6. The Company and Advertising Company made prepayment for purchasing the employee housing.

7. The construction of integrated toll system projects and toll-by-weight projects were still in progress as at 31 December 2013.

8. New short-term borrowings have been drawn down in 2013.

9. In 2013, some expressway project payables were settled and accrued project payables were reduced due to the final completion account of Qinglian Expressway and Yanba Expressway.

10. Interest payable decreased due to the decrease in total scale of borrowings and bonds payable in 2013.

11. Medium-term notes and convertible bonds were repaid upon maturity in 2013.

12. A return of deed taxes were received from Longli County Government and recognized as government grants related to inventories.

13. The cross currency interest rate swap would expire in September 2014 and the derivative financial liabilities were reclassified as current portion of non-current liabilities accordingly.

14. Investment income from associates and joint ventures such as Nanjing Third Bridge Company, Yangmao Company and Shenchang Company increased in 2013.

15. Net loss from disposal of assets in related to National Highway No.107 (Qinglian Section) amounted to RMB241,000,000 in 2013.

16. Medium-term notes and convertible bonds were repaid upon maturity in 2013.

Company Profile and Project Information

I. Company Profile

Registered Name	深圳高速公路股份有限公司
English Name	Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address and 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
Secretary of the Board/Company Secretary	WU Qian
Telephone	(86) 755-8285 3331
Securities Officer	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3338
Fax	(86) 755-8285 3400
Investor Hotline	(86) 755-8285 3330
E-mail	secretary@sz-expressway.com
Contact Address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Listing Exchanges	A Share: The Shanghai Stock Exchange Security Code: 600548 Abbreviation: Shenzhen Expressway H Share: The Stock Exchange of Hong Kong Limited Security Code: 00548 Abbreviation: Shenzhen Expressway Bond: The Shanghai Stock Exchange Security Code: 122085 Abbreviation: 11 Shenzhen Expressway
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.hkex.com.hk http://www.sz-expressway.com http://www.sz-expressway-ir.com.hk (for H Shares only)
Annual Report Available at	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen Hong Kong: Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Independent Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
Signing auditor	ZHOU Wei Ran, HUA Jun

Company Profile and Project Information

PRC Legal Adviser	Guangdong Junyan Law Firm 13/F, Dutyfree Business Building, First Fuhua Road, Shenzhen
Hong Kong Legal Adviser	Loong & Yeung, Solicitors Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Domestic Share Registrar and Transfer Office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Share Registrar and Transfer Office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor Relations Consultant of A Shares	Everbloom Investment Consultant Company Limited Room 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor Relations Consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexxus Building, No. 41 Connaught Road Central, Hong Kong
Principal Banks	Industrial and Commercial Bank of China China Merchants Bank China Development Bank
Place of Business in Hong Kong	Suite 2001-2005, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996
Date and Place of First Registration	30 December 1996/Shenzhen
Date of Latest Change of Registration	29 September 2012
Registration Number of Business License	440301104056451
Tax Registration Number	440300279302515
Organisation Code	27930251-5

II. Project Information (as at March 2014)

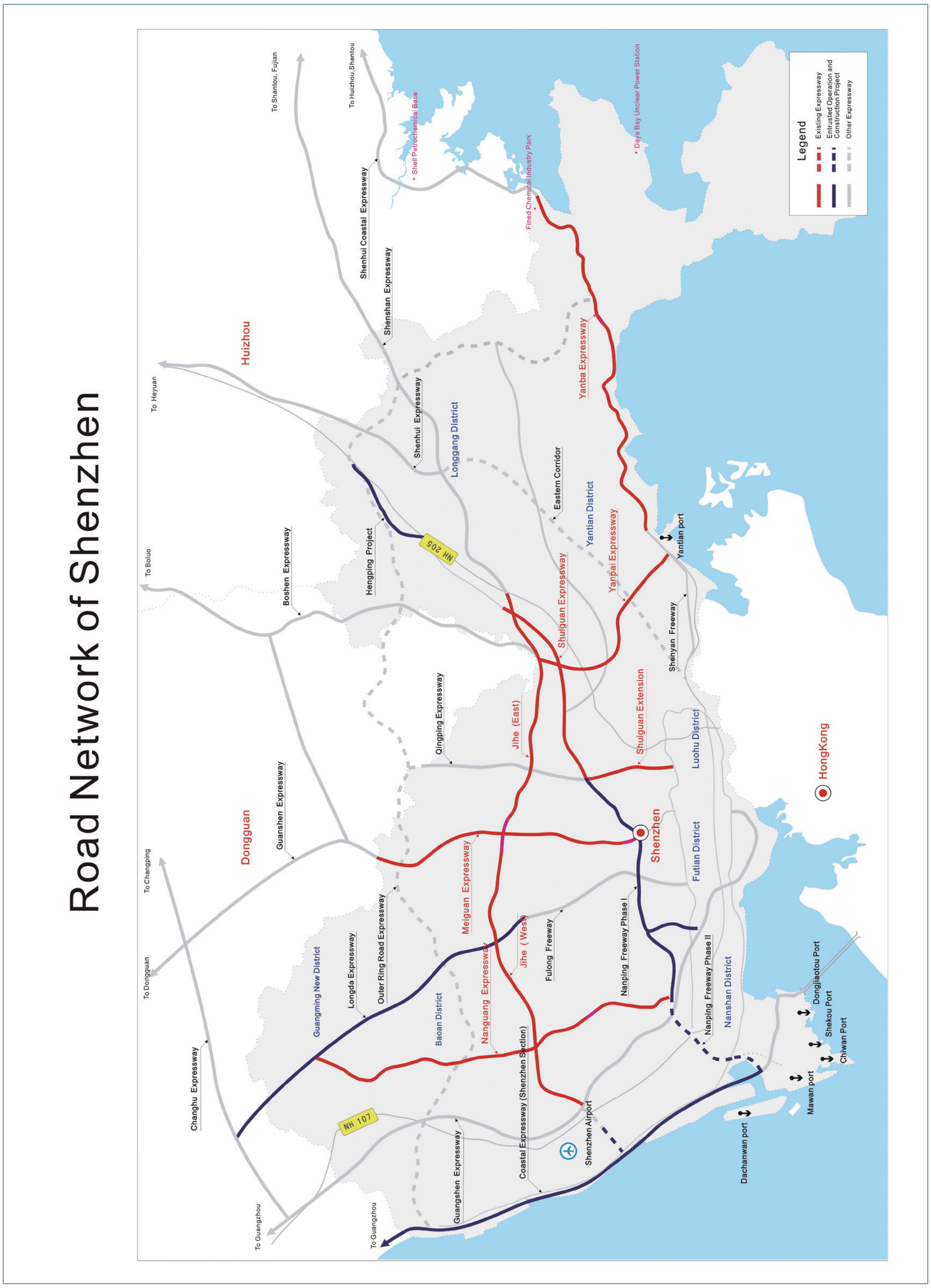
Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status	The expiry date of toll concession period
Meiguan Expressway	100%	Shenzhen	19.2[note]	6/8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Yanba Expressway	100%	Shenzhen	29.1	6	Under operation	Section A: 2026.04 Section B: 2028.07 Section C: 2035.03
Shuiguan Expressway	40%	Shenzhen	20.0	10	Under operation	2025.12
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2025.12
Yanpai Expressway	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway	100%	Shenzhen	31.0	6	Under operation	2033.01
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway	55%	Hubei	70.3	4	Under operation	2022.09
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10

Note: Pursuant to the agreement between the Company and Shenzhen Government, the toll of Meiguan Expressway is planned to be adjusted from 1 April 2014. The shareholders' approval of the Company and Shenzhen Government's final approval are yet to be obtained for such arrangement. For details, please refer to the announcement of the Company dated 27 January 2014.

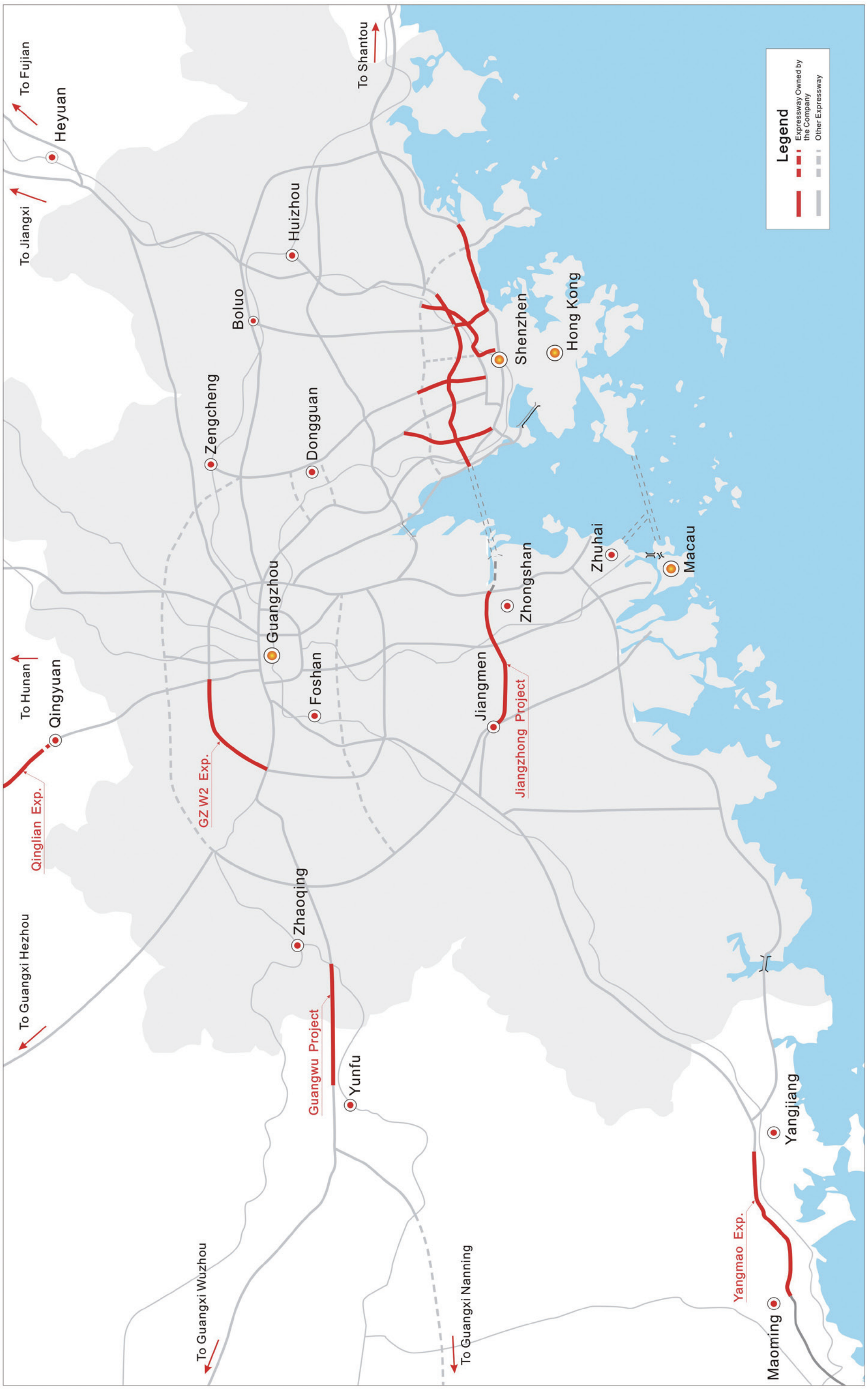
For detailed information and toll fees of above projects, please refer to the column "Toll Roads & Bridges" under "Company Business" in the website of the Company at http://www.sz-expressway.com.

Company Profile and Project Information

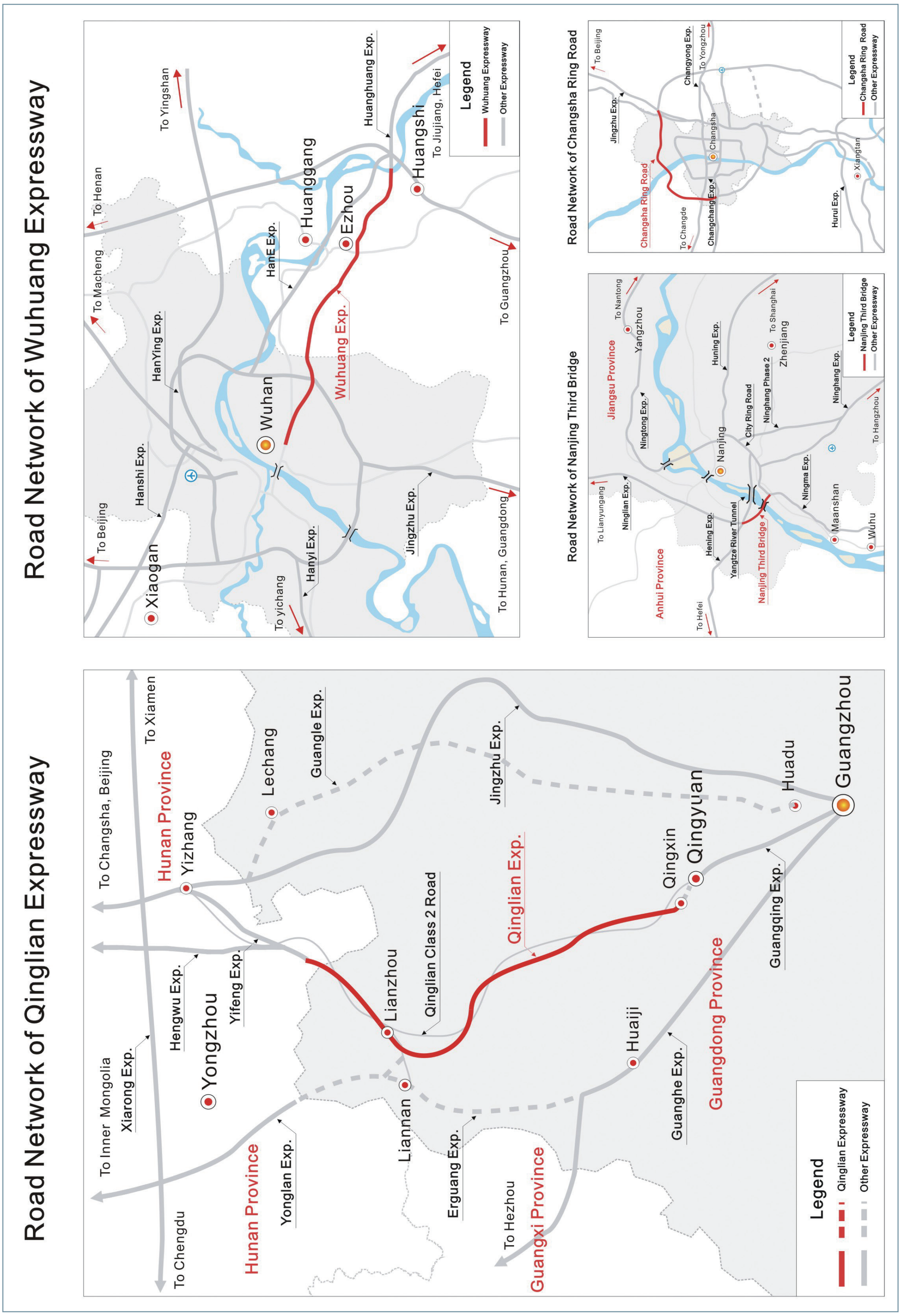
III. Road Network of Projects



Road Network of Pearl River Delta



Company Profile and Project Information



Information for Reference

I. List of Information for Reference

1. Financial statements signed and sealed by the Legal Representative, the Financial Controller and the General Manager of Finance Department;

2. Originals of the auditor's report sealed by PricewaterhouseCoopers Zhong Tian LLP, and sealed and signed by certified accountants and the financial statements prepared in accordance with CASBE;

3. Originals of all company documents and announcements disclosed in the designated publication newspapers during the Reporting Period;

4. Annual report disclosed in Hong Kong securities market.

The above information is available for reference at the Secretariat Office of the Company.

II. Abbreviation

Abbreviation for Highway and Project Operated, Invested and Managed by the Company

Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City, comprising the North Section of Meiguan Expressway (Qinghu to Liguang) and the South Section of Meiguan Expressway (Meilin to Qinghu)
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)
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue)
Outer Ring Expressway	Shenzhen Outer Ring Expressway
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
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")

Information for Reference

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
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 (also referred to as Nanping Avenue) undertaken by the Company, among which, the first phase of Nanping Freeway refers to Nanping (Phase I) and the second phase of Nanping Freeway refers to 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
Guilong Project	The project of phase I of Guilong Road in Longli, Guizhou Province by "build – transfer" mode and the project of primary development of relevant land undertaken by the Group

Abbreviation for Others

Reporting Period, Period, Year	For the twelve months ended 31 December 2013
YOY	Year-on-year change rate as compared to the same period of 2012
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited
The Group, 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
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be)
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC

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)
CM Huajian	招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.), formerly known as 華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre)
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited)
Shenzhen SASAC	深圳市人民政府國有資產管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government)
SIHCL	深圳市投資控股有限公司(Shenzhen Investment Holdings Company Limited)
Shenzhen International	Shenzhen International Holdings Limited
SGJ 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)
Baotong Company	深圳市寶通公路建設開發有限公司 (Shenzhen Baotong Highway Construction and Development Company 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)
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

For principal business and abbreviation of the investee companies of the Company, please refer to the Group Structure in Chapter I of this report.

For further details of the information on the highways/projects operated, invested and managed by the Company, please refer to the website of the Company at http://www.sz-expressway.com.

Confirmation to the Annual Report 2013

As the Directors and senior management of Shenzhen Expressway Company Limited ("Company"), we confirm the truthfulness, accuracy and completeness of the content of this annual 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

19 March 2014

Directors who signed this Confirmation:

Yang Hai	*Wu Ya De*	*Li Jing Qi*	*Zhao Jun Rong*
Hu Wei	*Tse Yat Hong*	*Zhang Yang*	*Chiu Chi Cheong, Clifton*
Wang Hai Tao	*Zhang Li Min*	*Au Sing Kun*	*Lin Chu Chang*

Senior Management who signed this Confirmation:

Li Jian	*Zhou Qing Ming*	*Ge Fei*	*Liao Xiang Wen*
Gong Tao Tao	*Wu Xian*	*Wu Qian*	

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