



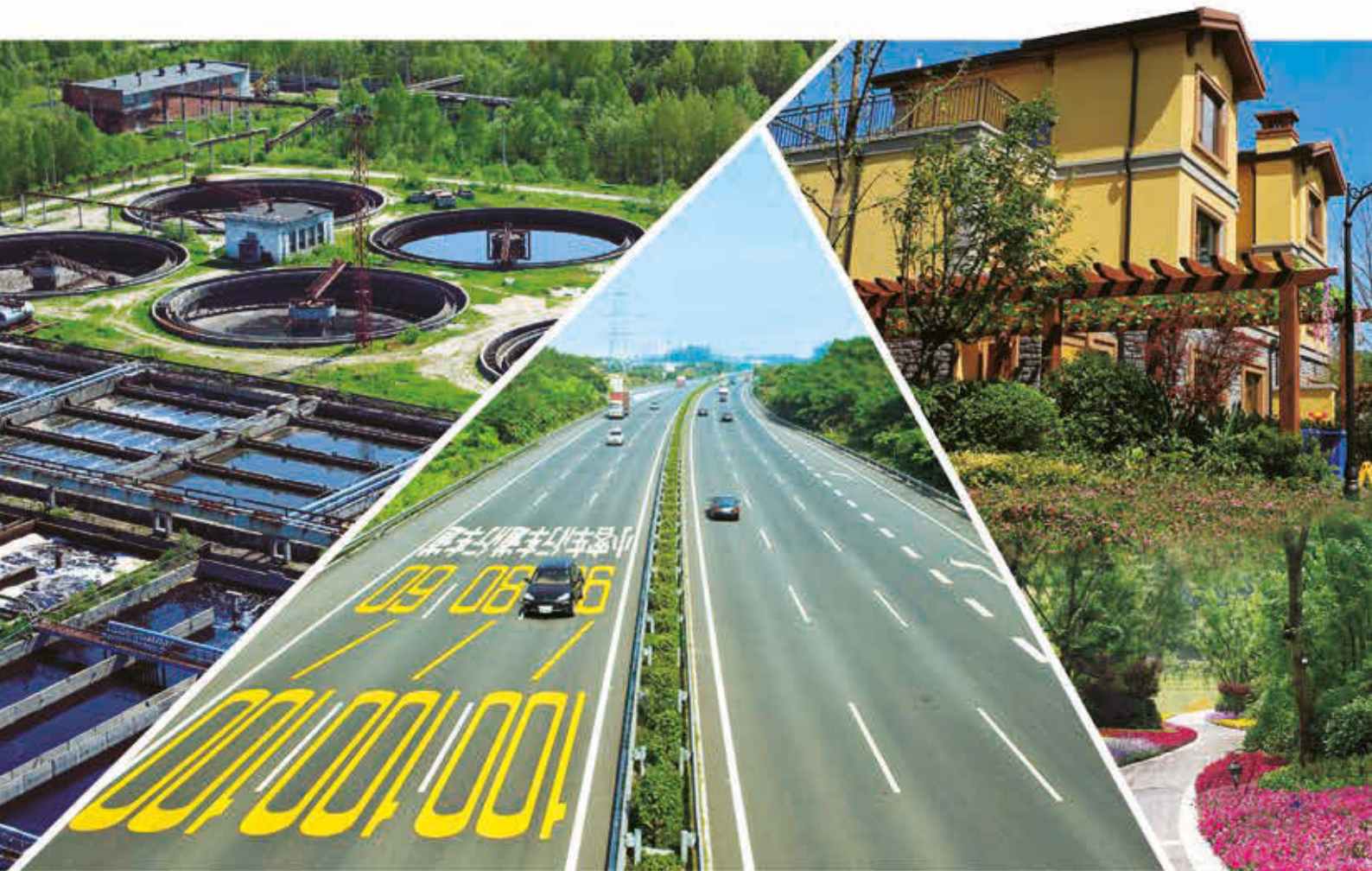
# SHENZHEN EXPRESSWAY COMPANY LIMITED

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



2016  
Interim Report





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

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## Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain "forward-looking statements", including, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company which are anticipated or expected to happen. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Users of this report is required to maintain adequate risk awareness, understand the differences between such forward looking statements and commitments or guarantees, and 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 such statements.

## Definition

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

Reporting Period, 2016 Interim, the Period	For the six months ended 30 June 2016.
Reporting Date	The date on which Interim Report 2016 of the Company is approved by the Board, i.e. 19 August 2016.
YOY	Year-on-year change as compared to 2015 Interim or the same period of 2015.
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.
Listing Rules	The Rules Governing the Listing of Stocks on SSE and/or the Rules Governing the Listing of Securities on HKEx, as the case may be.
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government).
Shenzhen Transport Commission	深圳市交通運輸委員會 (The Transport Commission of Shenzhen Municipality).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
SZCDGC	深圳市特區建設發展集團有限公司 (Shenzhen SEZ Construction Development Group Co., Ltd.).
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company).
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 International (Shenzhen)	深國際控股(深圳)有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited).
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the <b>Three Projects</b> ). On 30 November 2015, the Company entered into the Three Expressways agreement with the Shenzhen Transport Commission in relation to the toll adjustment of the Three Project.
Bank of Guizhou	Guizhou Bank Corporation Limited.
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The <b>Toll Free Section of Meiguan Expressway</b> refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has been toll-free from 24:00 on 31 March 2014. The <b>Toll Section of Meiguan Expressway</b> refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remain toll collection.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising <b>Jihe East</b> (Qinghu to He'ao) and <b>Jihe West</b> (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising <b>Yanba A</b> (Yantian to Xichong), <b>Yanba B</b> (Xichong to Kuichong) and <b>Yanba C</b> (Kuichong to Bagang), with a total toll mileage of 29.1 km. From 0:00 on 7 February 2016, it has been operated by card access and the toll were exempted.
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway, with a toll mileage of 15.6 km, From 0:00 on 7 February 2016, it has been operated by card access and the toll were exempted.
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, with toll mileage of 31km. From 0:00 on 7 February 2016, it has been operated by card access and the toll were exempted.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of <b>Qingping Expressway</b> (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City ( <b>Outer Ring Expressway</b> ), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as <b>Section A of Outer Ring</b> .
Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the costal expressway from Guangzhou to Shenzhen ( <b>Coastal Expressway</b> ).
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. From 0:00 on 7 February 2016 (Shenzhen Longhua to the ramp of access point of Nanguang Expressway), the section with total mileage of 23.8 km has been operated by card access and the toll were exempted.

## Definition

Qinglian Project	<b>Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road</b> (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 ( <b>Guangwu Expressway</b> ).
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 undertaken by the Company, including <b>Nanping Phase I</b> and <b>Nanping Phase II</b> (comprising section A and section B).
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as <b>Coastal Phase I</b> , and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as <b>Coastal Phase II</b> .
Longda Municipal Section	The management of the construction project of the municipal facilities of Dalang Section of Longda Expressway undertaken by the Company.
Adjustment of Freight Traffic Organization Project	The entrusted construction project of the highway toll stations and ancillary facilities undertook by the Company due to the implementation of the freight traffic organization adjustment of Shenzhen.
Dezheng Road Project	The management of the construction project of interchange connecting Dezheng Road and Longda Expressway and the east extension of Dezheng Road which located in Shenzhen Longhua New Area undertaken by the Company.
Concession Agreement	The concession contract in connection with Section A of Outer Ring entered into between Shenzhen Transport Commission and Outer Ring Company on 18 March 2016.
Joint Investment and Construction Agreement	The joint investment and construction agreement entered into among SZCDGC, the Company and Outer Ring Company in connection with Section A of Outer Ring on 18 March 2016.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by BT mode and the primary development project of relevant land undertaken by the Group.

Resettlement Project	The management of the construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising <b>Resettlement Phase I</b> and <b>Resettlement Phase II</b> .
Guilong Land	The peripheral land of Guilong Project which were now successfully bid by the Group. The area of the land was approximately 2,490 mu (approximately 1,660,000 square meters), among them, Guilong Project Parcel No. I is approximately 1,000 mu.
Guilong Development Project	The further property development project conducted by the Group with an area of 700 mu of Guilong Project Parcel No. I (approximately 1,000 mu), which has been approved by the Board of Directors.
Meilin Checkpoint Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity of which is United Land Company and the land of which is approximately 96,000 square meters.
Renmin Road-Meiguan Expressway Joint Project	The entrusted construction management project near Meiguan Expressway undertaken by the Group in Shenzhen.
BT (mode)	Build-Transfer mode, refer to a kind of financing mode for non operating infrastructure construction projects by government using non-governmental funds, is also used to describe the process of project operation that the project be handed over to the owners upon general contracting, financing, construction acceptance by project company, and the owners pay the project total investment plus a reasonable return to investors.
PPP (mode)	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP mode ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
Green Passage Toll Free Policy	The policy to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. Since December 2010, such policy must be implemented in all expressway projects in PRC.
Standardisation Scheme	The scheme that toll fees of the expressways in Guangdong Province, starting from 1 June 2012, be standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and include subsequent adjustment made for the increase of the toll fees as a result of the implementation of aforesaid scheme.
Toll Free Scheme on Holidays	The policy that the toll fees of toll highways for passenger cars with seven seats or less be waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labour Day and National Day, and their consecutive days off. Such policy has been implemented in PRC since the second half of 2012.
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

◆ For principal business and abbreviation of the investee companies of the Company, please refer to the Group Structure in "Introduction to the Company" of this report.

◆ For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at <http://www.sz-expressway.com>.

## Introduction of the Company

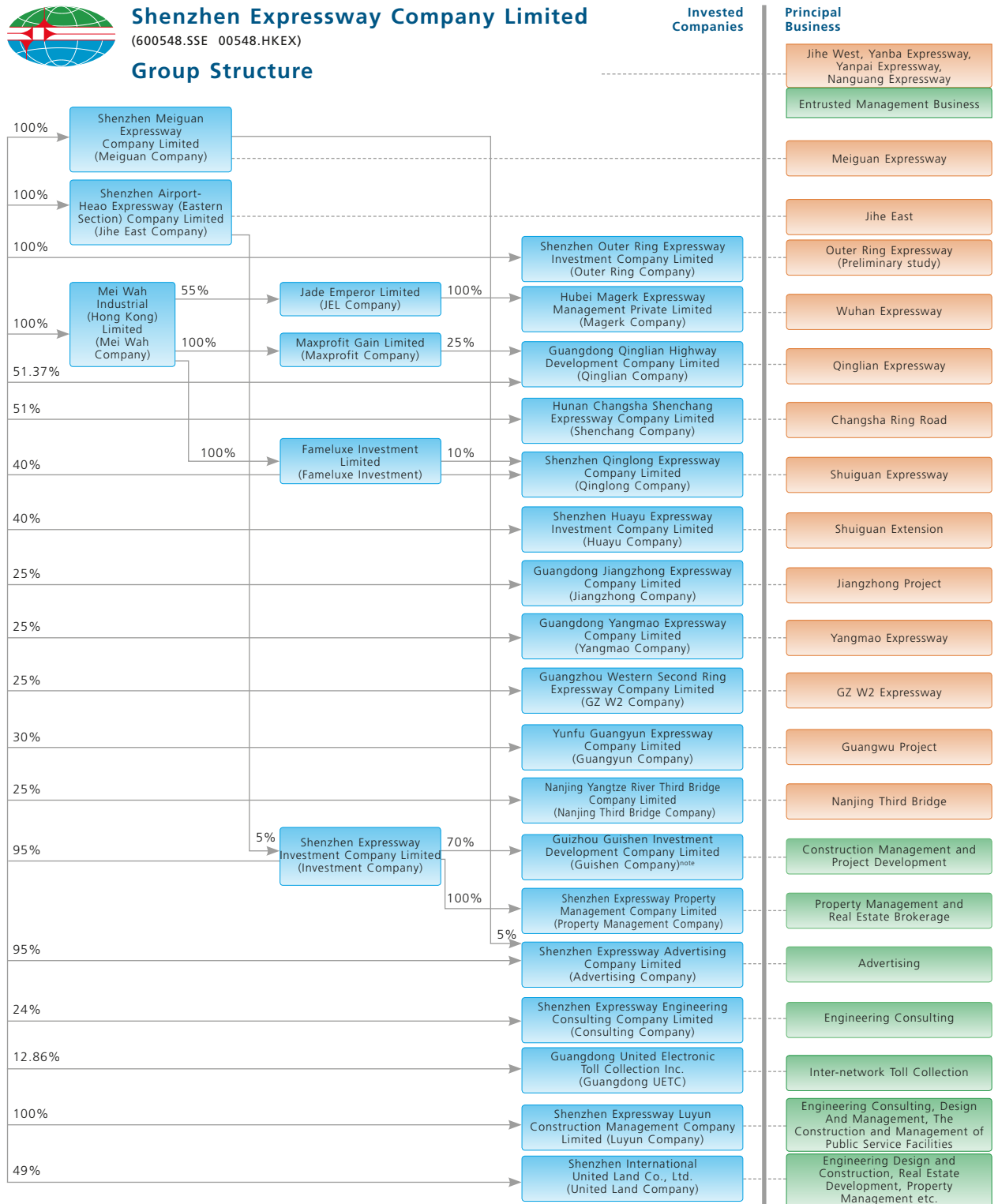
The Company was incorporated in Shenzhen on 30 December 1996. It principally engages in the investment, construction, operation and management of toll highways and roads. Toll highways are large scale and long term operating transportation facilities with capital-intensive feature. At present, the toll operating period of toll highways in China is generally not more than 30 years, income is relatively stable with such long payback period.

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

As at the end of the Reporting Period, the Company operated and invested in a total of 16 toll highway projects, and the mileage of the highways invested by the Company (on equity basis) is approximately 416km. 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 highways, the Company has launched the businesses related to project development and management, advertising, construction consulting, and inter-network toll collection.



As at 30 June 2016, the Group's investee companies (including their abbreviations) and business structure are as follows:



Note: Guishen Company holds the following wholly-owned subsidiaries: Guizhou Shenzhen Expressway Property Company Limited (Guizhou Property) and Guizhou Shengbo Property Company Limited (Guizhou Shengbo).  
Guizhou Property Company holds the following wholly-owned subsidiaries: Guizhou Yuelong Investment Company Limited (Guizhou Yuelong), Guizhou Hengfengxin Property Company Limited (Guizhou Hengfengxin), Guizhou Henghongda Property Company Limited (Guizhou Henghongda), Guizhou Hengtongsheng Property Company Limited (Guizhou Hengtongsheng).

Orange box: Toll Highway Business  
Green box: Other Businesses

# Financial Highlights

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

Item (Unit: RMB)	2016 Interim (Unaudited)	2015 Interim (Unaudited)	Change (%)
Revenue	<b>2,063,128,149.44</b>	1,499,617,982.44	37.58
Net profit attributable to owners of the Company	<b>614,904,007.57</b>	538,958,774.43	14.09
Net profit attributable to owners of the Company – excluding non-recurring items	<b>518,574,629.12</b>	484,459,067.37	7.04
Net cash flows from operating activities	<b>904,108,048.60</b>	399,388,812.15	126.37

Item (Unit: RMB)	As at 30 June 2016 (Unaudited)	As at 31 December 2015 (Audited)	Change (%)
Owners' equity attributable to owners of the Company	<b>12,242,582,588.74</b>	12,368,892,973.17	-1.02
Total assets	<b>31,162,724,079.02</b>	31,670,655,088.41	-1.60

Item	2016 Interim (Unaudited)	2015 Interim (Unaudited)	Change (%)
Earnings per share – basic (RMB)	<b>0.282</b>	0.247	14.09
Earnings per share – diluted (RMB)	<b>0.282</b>	0.247	14.09
Earnings per share excluding non-recurring items – basic (RMB)	<b>0.238</b>	0.222	7.04
Return on equity – weighted average (%)	<b>4.90</b>	4.53	Increase 0.37 pct.pt
Return on equity excluding non-recurring items – weighted average (%)	<b>4.13</b>	4.07	Increase 0.06 pct.pt

### ◆ Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2016 Interim	Note
Profit from entrusted operation management services	<b>50,620,981.13</b>	Profits from entrusted management services provided to Coastal Company and Longda Company in current period.
Other items that are consistent with the definition of non-recurring profit and loss	<b>48,535,491.48</b>	Earnings arising from the transfer of the entire equity interest and creditors' right of Guizhou Pengbo and 51% equity interest of Guizhou Hengtongli.
Gains arising from the remaining equity interest re-calculated per fair value after the date when the control ceases	<b>16,673,414.89</b>	Gains arising from the remaining 49% equity interest of Guizhou Hengtongli re-calculated per fair value.
The amortisation of compensation provided by concession grantor	<b>10,521,040.06</b>	The amortisation of compensation to Yanba Expressway and Yanpai Expressway provided by concession grantors recognised according to units-of-usage method which disclosed as a deduction of the amortisation of the related concession intangible assets.
Investment income arising from investment financing products	<b>3,240,992.51</b>	
The interest income arising from the compensation receivables of toll collection adjustment of Meiguan Expressway and Three Projects	<b>2,395,672.00</b>	
Other non-operating income and expenses	<b>753,007.04</b>	
Effect on Income tax	<b>-17,707,096.99</b>	
Effect on minority interests	<b>-18,704,123.67</b>	
<b>Total</b>	<b>96,329,378.45</b>	

## II. Financial Highlights for Five Years

Item (Unit: RMB million, unless otherwise stated)	2015	2014	2013	2012	2011
Revenue	3,421	3,620	3,279	3,135	2,952
<i>Of which: Toll revenue</i>	3,014	3,008	2,898	2,726	2,716
Profit before interests and tax	2,162	3,499	1,521	1,581	1,755
Net profit	1,553	2,187	720	685	875
Net cash inflows from operating activities	1,772	1,794	1,761	1,531	1,508
Net cash inflows from operating activities and cash return on investments	1,942	1,889	1,854	1,617	1,633
Interest covered multiple (Times)	4.38	6.57	2.44	2.42	2.92
Earnings per share (RMB)	0.712	1.003	0.330	0.314	0.401
Cash dividends per share (RMB)	0.34	0.45	0.16	0.13	0.16

Item (Unit: RMB million, unless otherwise stated)	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2013	As at 31 Dec 2012	As at 31 Dec 2011
Total assets	31,671	24,329	22,840	24,209	24,609
Total liabilities	16,710	11,209	11,601	13,336	14,111
Total equity	14,961	13,120	11,239	10,873	10,497
Debt-to-asset ratio (%)	52.76%	46.07%	50.79%	55.09%	57.34%
Gross liabilities-to-equity ratio (%)	111.69%	85.43%	103.22%	122.66%	134.43%
Net borrowings-to-equity ratio (%)	47.42%	51.78%	73.03%	79.18%	82.99%
Net assets per share (RMB)	5.67	5.41	4.57	4.37	4.22

### ◆ 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

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# Management Discussion and Analysis



## I. Business Review

The Group's revenues and profits are mainly derived from toll highway operations and investments. 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 project development and management, advertising, construction consulting, and inter-network toll collection. The principal business structure of the Company is set out as follows:



During the Reporting Period, the Group recorded revenue of approximately RMB2,063 million, of which toll revenue of approximately RMB1,766 million, entrusted management services revenue of approximately RMB98 million, construction consulting revenue of approximately RMB135 million, advertising and other revenue of approximately RMB64 million, accounted for 85.58%, 4.74%, 6.56% and 3.12% of the total revenue of the Group respectively.

## **(I) Toll Highway Business**

### **1. Analysis of Operating Environment**

#### **(1) Economic environment**

During the first half of 2016, the GDP of the PRC recorded a YOY increase of 6.7%. The national economy has overall maintained stability with steady progress. Driven by the active adjustment of industrial structure policy in recent years, Guangdong Province and Shenzhen City recorded YOY growth of 7.4% and 8.6% in its regional GDP in the first half of 2016 respectively, which is above the national average. The economic growth is conducive to the general growth of the regional road transportation and logistics demand.

#### **(2) Policy environment**

There is no material change in the toll highway policies during the first half of 2016.

To aim at completing the national-wide inter-network toll collection, the classification standard of vehicles and toll-by-weight for lorries are adjusted to be consistent with national standards in Guangdong Province and Hubei Province since the end of June 2015. The classification of vehicles on expressways has been enforced in accordance with "Vehicle Classification of the Toll Highway" issued by the Ministry of Transport. Meanwhile, for cargo vehicles, tolls shall be charged in accordance with an on spot measurement of vehicles based on the total weight of vehicles and goods in accordance with the established weight method. However, the basic rate of related charges remained the same as prior to the adjustment. The implementation of the two policies have both negative and positive effects on the Group's toll revenue: on the one hand, it can enhance traffic efficiency of expressways and has a positive effect on the comprehensive rectification of overloaded and oversized vehicles and maintaining the safety of roads and bridges; nevertheless, the restructuring and integration of the systems would also increase the capital expenditure of related projects and difficulty in operation management. In general, it does not have significant impact on the toll revenue and the operating result of the Group. Furthermore, in recent years, negative impacts resulting from the implementation of the unified scheme by Guangdong Province and the nation-wide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy on the toll revenue of the projects still exist, but the impact on YOY change of projects' revenue has generally been eliminated.

## Management Discussion and Analysis

### 2. Business Performance and Analysis

During the first half of 2016, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested generally continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) <sup>(1)</sup>			Average daily toll revenue (RMB'000)		
	2016 Interim	2015 Interim	YOY	2016 Interim	2015 Interim	YOY
<b>Guangdong Province – Shenzhen region:</b>						
Meiguan Expressway <sup>(2)</sup>	77	70	11.3%	283	263	7.3%
Jihe East	237	204	16.3%	1,653	1,659	-0.4%
Jihe West	189	165	14.6%	1,561	1,380	13.1%
Shuiguan Expressway <sup>(3)</sup>	221	176	25.3%	1,612	1,424	13.2%
Shuiguan Extension	91	67	36.0%	285	229	24.0%
<b>Guangdong Province – Other regions:</b>						
Qinglian Expressway	36	34	7.9%	1,888	1,806	4.5%
Yangmao Expressway	45	39	14.7%	1,794	1,638	9.5%
Guangwu Project	39	35	12.0%	1,001	854	17.2%
Jiangzhong Project	112	104	8.3%	1,086	1,038	4.7%
GZ W2 Expressway	54	45	19.7%	1,010	880	14.7%
<b>Other Provinces in the PRC:</b>						
Wuhuang Expressway	44	41	7.4%	923	889	3.8%
Changsha Ring Road	24	18	34.0%	275	194	41.9%
Nanjing Third Bridge	28	28	-0.8%	1,092	1,042	4.8%

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented from 24:00 on 31 March 2014 and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.
- (3) As the Group has acquired additional 10% equity interests in the Qinglong Company in 2015, and obtained effective control over the Qinglong company, the financial statements of Qinglong Company have been consolidated into those of the Group since 30 October 2015 and the proportion of revenue consolidated into the financial statements has been adjusted to 100% from not being consolidated.

Because of the differences in the function positioning, operation date of respective projects, economic activity degree along the areas of the projects and conditions of neighboring road network, the operational performances varied among different projects during the period; meanwhile, the impacts of factors such as economic environment and policy changes on different projects condition varied among themselves. In addition, projects such as construction or maintenance might also affect the performance of the current period.



**(1) Guangdong Province – Shenzhen region:**

During the Reporting Period, the Group recorded a YOY increase in the overall toll revenue in Shenzhen region. To aim at completing the national-wide inter-network toll collection, the classification standard of vehicles and toll-by-weight for lorries are adjusted to be consistent with national standards in Guangdong Province since the end of June 2015. Due to changes of the vehicle structure proportion of the related projects, the implementation of the two policies have both negative and positive effects on the toll revenue of the Group in Shenzhen region. However, the positive impact outweighed the negative impact on the whole. According to the agreement signed between the Company and the Shenzhen Transport Commission, Three Projects have been toll free from 00:00, 7 February 2016. The Company calculated and determined the revenue of the projects according to the method stipulated in the agreement, and traffic growth due to toll-free projects also contributed to the traffic growth of the connected Jihe Expressway and Shuiguan Expressway. The Group closed and began to reinforce westward road of Pinghu Marshalling Yard Bridge of Jihe East in mid-May 2016, which have negatively affected the traffic conditions and operational performance of itself and the connected roads to a certain extent. The Company strived to reduce the adverse impact on the traffic services by means of implementation of reasonable traffic organisation plans, on the condition that assurance will be given about the safety and quality of the construction. The maintenance works were completed in mid-July 2016.

**(2) Guangdong Province – Other regions:**

Benefited from economic growth in the areas along the expressways and the implementation of the toll-by-weight policy for lorries, the average daily traffic and toll revenue of Yangmao Expressway and GZ W2 Expressway all achieved a higher YOY growth during the Reporting Period. In addition, Wuzhou – Guigang Section of Guangxi Cangshuo Expressway (Cangwu – Shulong) commenced operation in the first half of 2015, which made the connected road network of Yunwu Expressway (Yunfu – Wuzhou) in Guangxi more accessible and promoted the traffic growth in the areas covered by the connected road network between the two provinces, thus leading to the traffic growth of Guangwu Project.

Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the dual line of G4 National Expressway (Guangdong Section, formerly known as Jingzhu Expressway), and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong) commenced operation at the end of September 2014 and the end of December 2014 respectively. As the layouts of the above sections are similar to that of Qinglian Expressway, and construction of the link between Erguang Expressway and Qinglian Expressway is under way, certain diversions on Qinglian Expressway have been resulted. During the Reporting Period, Qinglian Company actively carried out promotion of routes and implementation of multi-level marketing strategy, which began to take effect. The impact of diversion became stable.

**(3) Other provinces:**

During the Reporting Period, the Group reinforced Kejiadun Bridge of Wuhuang Expressway and closed half of the lane during the construction period, which caused negative impacts to a certain extent; Wuhuang Expressway's operational performance was still under the negative impact of various factors including the commencement of operation of nearby road networks and implementation of traffic control measures for municipal roads; in addition, Hubei Province has implemented the policy of offering a 5% discount for ETC. With the implementation of the national highway ETC network in 2015, the number of users who enjoy the preferential ETC toll policy witnessed a sharp increase, which caused a slightly negative impact on the toll revenue of Wuhuang Expressway. Due to the traffic growth of large vehicles, the toll revenue of Nanjing Third Bridge increased slightly during the Reporting Period, but with the diversion impact resulting from the implementation of toll-free passage for Nanjing Wei San Road Tunnel and Wei Qi Road Tunnel since 1 January 2016, the traffic recorded a slight YOY decrease. Benefited from multiple positive impacts such as the improvement of road networks, the implementation of traffic control measures of neighboring roads, the improvement in business of enterprises along the highway, Changsha Ring Road achieved a greater YOY increase on toll revenue during the Reporting Period.

## Management Discussion and Analysis

### 3. Business Management and Upgrade

#### (1) *Strengthen operation management and improve service efficiency:*

The nationwide ETC inter-network toll collection system was implemented in the second half of 2015. Under the new development trends, the accounting and operation management have changed. The Group was closely monitoring the operation of the system after the handover, constantly revising and improving workflows and management systems after inter-networking, strengthening service training and drilling, continuously optimizing each standardized operation and management module, upgrading the hardware and software for the accounting system, and implementing meticulous management to improve service quality and work efficiency. In addition, the Group made full use of the database of the inter-networked toll collection system to build a standardized operation mode and audit management mechanism on terminals, carry out regular campaigns against toll evasion, and strengthen supervision on green passages and inspection of overloaded vehicles so as to reduce the toll loss.

#### (2) *Step up promotion and attraction in traffic flows:*

Relying on the pattern of traffic distribution of the road networks across Guangdong Province, and by way of site inspections, route comparison and data analysis, the Group explored new growth points on toll, carried out targeted marketing and promotion activities and guided vehicles to the Company's roads to increase the toll revenue. During the Reporting Period, Qinglian Company put great efforts into marketing activities targeting at transportation during Spring Festival, holidays, and "Traffic Tourism Integration", promoted the advantages of road networks and carried out cooperative tourism marketing; for the purpose of the growth of traffic flow. Moreover, Qinglian Company continuously focused on and analysed changes of the traffic and vehicle structure at each route node of Guangle Expressway (Guangzhou – Lechang, in Guangdong) and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong) and took effective marketing measures to attract traffic. In addition, by seizing the opportunities created by the commencement of operation of a new station of Meiguan Expressway and implementation of the nationwide inter-network toll collection system, the Company launched various marketing and promotion activities to promote advantages of each of the project as a mean to proactively attract traffic and enhance the growth of toll revenue.

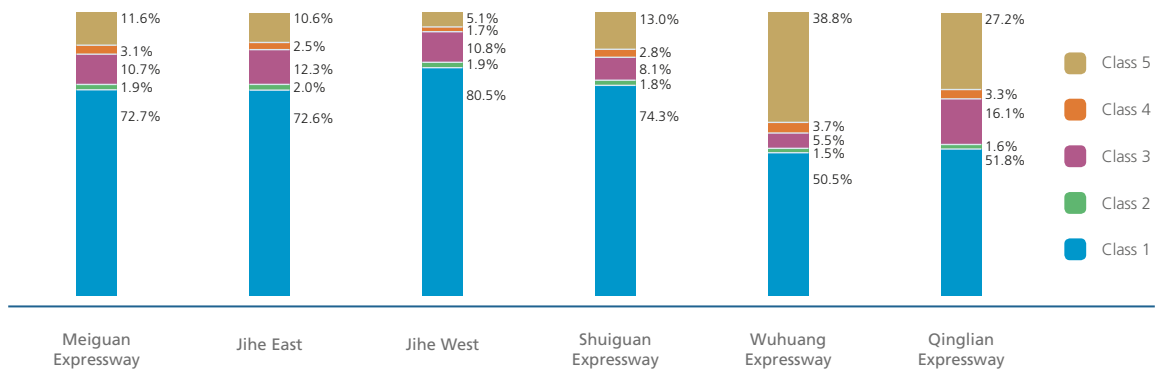
#### (3) *Strengthen management for road maintenance to ensure the quality of the road traffic:*

The Company conducted regular quality checks on highways and frequent inspections on highway administration. It has also built up a joint mechanism between road assets and traffic operational information, which enables the Company to take timely measures to remove and rectify the unsafe factors in highways or take maintenance measures to better protect the quality, safety and free traffic of highways. During the Reporting Period, the Group conducted preventive maintenance works for Yanpai Expressway and completed special inspection of the main bridge of Pinghu Marshalling Yard Bridge of Jihe East and the CD2 bridge of Jihe West, and also reinforced the Pinghu Marshalling Yard Bridge; In addition, the Group is actively promoting the reinforcement project of the retaining wall of Yanpai Expressway, which has been started from mid-August 2016 according to plan as at the date of this report. The Group established a mechanism to conduct regular reviews on road maintenance plans and an interactive adjustment mechanism in which maintenance technology plans can be constantly improved and optimised to ensure continuous improvement of road technology and condition and prolong the useful life of the roads, thereby effectively reducing their total maintenance cost. In addition, the Group also conducted small-scale specialised works, such as reinforcement of slopes and expansion of toll stations to ensure the safety and free traffic of highways, based on the actual circumstances and needs.

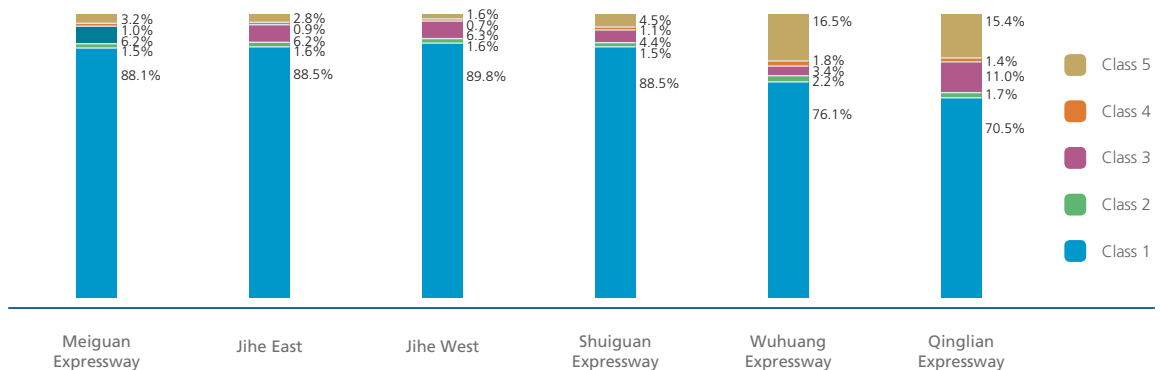
**Reference Information:**

Diagram showing the vehicle category of major highway projects of the Group during the first half of 2016:

**Vehicle Category of Major Highways – by Revenue**



**Vehicle Category of Major Highways – by Traffic Volume**



**4. Business Development**

Based on the overall demands for economic development and transportation planning, the Company and Transport Commission of Shenzhen Municipality (on behalf of the Shenzhen Municipal People’s Government) entered into an agreement relating to the toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, pursuant to which, the adjustment proposal has been implemented from 00:00 on 7 February 2016 in two phases: the Company will implement the toll-free policy for Nanguang Expressway, Yanpai Expressway and Yanba Expressway, while the Transport Commission of Shenzhen Municipality will make cash compensation to the Company based on the adjustment mechanism accordingly. For details thereof, please refer to the announcements of the Company dated 2 December 2015 and 1 February 2016, respectively, and the circular of the Company dated 12 January 2016. Based on the estimated cash flow to be generated by future revenue and/or income of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Company acquired a large amount of cash assets at a reasonable consideration and capital cost, which will enable the Company to improve its financial position and enhance its ability and provide rooms for business expansion and exploration of new industries, with a view to improve its asset structure for long-term development as a whole and achieve new industry layout as soon as possible. In connection with the abovementioned adjustment proposal, the Company has received a reasonable compensation, which has taken into account its needs for sustainable development. The adjustment also benefits the comprehensive social and economic development of the regions along the expressways and the overall development of Shenzhen area. Therefore, the adjustment is a win-win solution that brings benefits to the society, government and the Company.

## Management Discussion and Analysis

During the Reporting Period, the Group and the Shenzhen government reached agreement on the investment, construction and management matters regarding the Outer Ring Project. The Shenzhen Transport Commission and the Outer Ring Company entered into the Concession Agreement on 18 March 2016; on the same date, SZCDGC, the Company and Outer Ring Company entered into the Joint Investment and Construction Agreement. Pursuant to the Concession Agreement and the Joint Investment, the Company and Outer Ring Company will invest RMB6.5 billion to receive the operating revenue and undertake the operating cost, relevant taxes and risks of Section A of Outer Ring for a term of 25 years, and the rest part of investment amount will be assumed or financed by SZCDGC, a company established and wholly-owned by the Shenzhen government, the investment budget for Section A of Outer Ring is approximately RMB20.6 billion. As at the Reporting Date, land preparation, procedures for land use, as well as relocation of pipelines and cables are now underway, most of the works in relation to tenders of consultation have been completed, and part of the contractual section has been already commenced construction. Outer Ring Project is a toll highway project undertaken by the Group based on PPP mode, which can effectively maintain a balance between public welfare and reasonable returns for commercial investment of infrastructure and provide quality service to the public in the most cost-effective way, thereby realise a win-win situation for the public, the government and the Company. The abovementioned proposal was approved at the general meeting of the Company as well as of Shenzhen International, the indirect controlling shareholder of the Company. For details of the Outer Ring Project, please refer to the announcements of the Company dated 18 March 2016 and the circular dated 25 April 2016, as well as the relevant content in "Significant Events" of this report.

### (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 consultation, and prudently tapping into new business areas as meaningful attempts and auxiliary business in addition to core business for further growth of the Group.

#### 1. 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 currently the major businesses of the Group in addition to toll highway business. Leveraging our expertise and experience accumulated in the 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. In addition, based on the experience of entrusted construction business, the Group was also engaged in the construction and development of local roads by tapping into BT mode (also known as BT business). In the mode of agent construction business and agent operation business, project construction and operation will be funded by the proceeds raised by the principal. However, in the BT mode, project construction will generally be funded by the trustee responsible for the construction and management.

#### (1) Entrusted construction business and BT business

The projects entrusted during the Reporting Period included Longda Municipal Section, Guanlan Renmin Road-Meiguan Expressway Joints Project, Adjustment of Freight Traffic Organization Project, Coastal Phase II and Resettlement Project Phase II in Guizhou Longli, etc. Currently, the main focuses of the Group on entrusted construction and BT business are to strengthen safety and quality management of the projects under construction, to coordinate and monitor the recovery of revenue of entrusted construction projects, to push forward the inspection and acceptance for completed projects, and to enhance the preliminary planning of new projects.

During the Reporting Period, the entrusted construction projects were proceeded smoothly, of which, each construction works of Longda Municipal Section were proceeded smoothly, and scheduled to be completed in 2016. Temporary bridge project (to ease the pressure of road and bridge), construction of the western affiliate bridge and part of the earthwork excavation work of Guanlan Renmin Road-Meiguan Expressway Joint Project had been completed. The whole project was scheduled to be completed by the end of 2016. During the Reporting Period, the Company has entered into an agreement to be entrusted for the construction management of Adjustment of Freight Traffic Organization Project. The investment budget of the project is approximately RMB1.2billion. It is expected that there is no significantly impact on the management operation or financial performance of the Group. As at the end of the Reporting Period, inspection and delivery work of Resettlement Project Phase II are basically completed, and it was delivered and put into use by the end of March 2016. Currently, the filling and audit work of completion settlement is under progress. In addition, during the Reporting Period, tasks such as the completion settlement and the government audit of Nanping Phase II, Dezheng Road Project and Coastal Phase I were still underway.

During the Reporting Period, the Company and Coastal Company entered into Supplemental Agreement to the Entrusted Construction Management Agreement regarding the Coastal Phase II, which sets out further provisions in respect of the scope of the entrusted construction, project management objectives, provisional amount of the entrusted construction service fee and the amount of performance guarantee of Coastal Phase II, for details thereof, please refer to the announcement of the Company dated 1 June 2016. As at the end of the Reporting Period, the Company was actively handling all the reporting and approval procedures for Phase II of Coastal Expressway, and began to carry out land acquisition and resettlement work.

## **(2) Entrusted operation business**

In 2016, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management, and each of the management tasks thereunder was smoothly carried out during to the Reporting Period. On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement and the entrusted term will expire on 31 December 2018.

The Company and SIHCL entered into “Entrusted Operation Management Agreement” 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. Through thorough communication and negotiation with Shenzhen Municipal Government, on 16 June 2016 the Company and Coastal Company finally entered into “Entrusted Operation Management Agreement in Relation to the Guangshen Coastal Expressway (Shenzhen Section) Phase I Project”, pursuant to which, the Company was entrusted by the Coastal Company to operate and manage the road assets, manage and maintain related ancillary facilities, operate the toll business in respect of Coastal Phase I, and exercise all rights and obligations in relation to the operation and management of Coastal Phase I on behalf of Coastal Company, during the period from 1 January 2014 to 31 December 2016, at an annual service fee of RMB18 million. For details thereof, please refer to the announcement of the Company dated 16 June 2016 and the relevant content in “Significant Events” of this report.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the relevant content in “Financial Analysis” below and note V35 to the financial statements in this report.

## **2. Expansion of Entrusted Management Business**

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

## Management Discussion and Analysis

Guishen Company is adopting a progressive development strategy by phases. It has conducted a secondary self-development for acquired Guilong Project Parcel No. I, which has an area of 300 mu (approximately 200,000 square meters). Currently, preliminary acceptance of all buildings of Phase I Group A of Guilong Development Project (also known as "Interlaken Town Project") (approximately 110 mu, equivalent to 70,000 square meters) is completed by Guishen Company and is expected to be delivered and put into use in second half of 2016. Through multi-level project promotion and marketing by Guishen Company at the preliminary stage, more than 120 sets of villas of Interlaken Town Project Phase I Group A had been basically sold out. A favorable brand image had been established in the local market through its unique architectural style, beautiful landscape and good living environment. In the second half of 2015, Guishen Company also commenced the development and construction of Phase I Group B (approximately 129 mu, equivalent to 86,000 square meters), and was expected to be completed within 2017. As at the end of the Reporting Period, the construction and landscape architecture project of Phase I Group B proceeded smoothly, model room decoration and outdoor greening were completed, and marketing and subscription were carried out proactively. As at the end of the Reporting Period, some villas had been subscribed. In addition, during the Reporting Period, the Board approved Guishen Company to conduct integrated planning and progressive and phased development of an area of 400 mu (approximately 267,000 square meters) in Guilong Project Parcel No. I.

On 30 December 2015, Guizhou Property entered into two transfer agreements with Shenzhen International Logistics Development Co., Ltd. ("SZ International Logistics"). Guizhou Property proposed to, after reorganizing the lands of Guilong Land No. 2 and changing the use of land of certain of land lots thereof, transfer the entire equity in and creditors' rights of Guizhou Pengbo (which holds approximately 322.9 mu of land lots for logistics use) and 51% equity interest in Guizhou Hengtongli (which holds approximately 143.9 mu of land lots for commercial and residential use) to SZ International Logistics. For details, please refer to the announcement of the Company dated 30 December 2015. After the reorganization according to the agreement entered into by both parties, final transfer price approximately RMB94.583 million and RMB43.991 million were determined respectively. By the end of the Reporting Period, SZ International Logistics has paid half of the transfer amounts to Guizhou Property, and relevant equity transfer procedures were also completed.

Based on the above, Guishen Company will, through means such as market transfer, cooperation or self-development based on the overall market conditions and development opportunities in a timely manner, realise the market value of the lands it holds and the Group's investment gains as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

### 3. Urban Renewal Project

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly contributed capital to establish United Land Company. As the reporting entity and implementing entity of Meilin Checkpoint Renewal Project, the Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. The land area of the Meilin Checkpoint Renewal Project Land Parcels is approximately 96,000 square meters and the land is for residential and commercial use with a plot ratio-based gross floor area of not more than 486,400 square meters (including public affiliated facilities, etc.) and a total land premium of approximately RMB3.567 billion. During the Reporting Period, the Company had completed subsequent capital injection into United Land Company, with an accumulated amount of RMB2.45 billion. During the Reporting Period, United Land Company paid up the total land premium (including the transfer price of land use right and other payables) and obtained the land use right of the land parcels. For details, please refer to the announcements of the Company dated 8 August 2014 and 30 June 2015, respectively.

Apart from the abovementioned land premium of approximately RMB3.567 billion, the total costs for Meilin Checkpoint Renewal Project land also include relevant taxes, relocation compensation for the properties on the land, preliminary planning costs, etc. Currently, relocation compensation for most of the operators and tenants of the existing properties on the Land has been completed, negotiations with the remaining operators and tenants are still under way, and the clearing up work is expected to be completed by the end of the year. The Meilin Checkpoint Renewal Project Land Parcels are situated at a geographically advantageous location with certain advantages on land price over the market prices of the peripheral areas. It also has better investment value and appreciation potential. The Company cooperates with Shenzhen International to carry out the project, so that it could meet the Shenzhen government's relevant requirements on the entities for urban renewal. This also enables both parties to seize the opportunities for urban development and renewal, and improve the overall corporate efficiency and shareholders' returns. The Company is actively conducting industry policy research, exploring the methods for value realisation and liquidation of the land, as well as promoting the introduction of cooperation parties with Shenzhen International, so as to timely realise the commercial value of the project.

#### 4. Other Businesses

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

For the purpose of resources integration, the Company obtained its control over Consulting Company by amending its articles of association in the second half of 2015. Consulting Company is a professional project consulting company with independent legal person qualification, its scope of business covers preliminary consultancy, survey design, tendering agency, construction costs consultancy, engineering supervision, project test, project inspection and maintenance consultancy, and has the professional qualification of, and servicing competence in undertaking the consultancy services of the entire process of project investment and construction. The consolidation of Consulting Company into the financial statements of the Group is of great significance to the Company in achieving the integration of industrial chain.

Guangdong UETC, an associate company of the Company, has implemented a private placement during the Reporting Period. After completion of capital increase, the shareholding of the Company in Guangdong UETC was decrease from 15% to 12.86%. Guangdong UETC is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

Subsequent to the subscription of 382,000,000 additional shares issued by Bank of Guizhou in 2015, the Company further subscribed 44,000,000 shares of Bank of Guizhou. Upon completion of this subscription, the Company holds a total of 426,000,000 shares of Bank of Guizhou, representing 4.63% of the total share capital of Bank of Guizhou after the capital increase. On 30 June 2016, the funds have not been fully raised yet, the Company currently holds 4.92% of total capital of Guizhou Bank after its capital increase. The Company will hold 4.63% of total capital of Guizhou Bank after its capital increase if the funds are fully raised enough. Given the strong cash dividend capacity and the future development potentials of Bank of Guizhou, the subscription of the additional shares issued by Bank of Guizhou will optimize the Company's asset allocation in pursuit of sound synergy for its subsequent infrastructure investments and operations in relevant regions. For details thereof, please refer to the relevant content in "Financial Analysis" below.

During the Reporting Period, each of the above business, in general, proceeded smoothly and has met the Group's expectation. Limited by the scales, the contributions from these businesses currently only are accounted for a very small proportion of the Group's revenue and profit. For details of the other businesses of the Company during the Reporting Period, please refer to note V35 to the Financial Statement in this report.

## Management Discussion and Analysis

### II. Financial Analysis

During the first half of 2016, the Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB614,904,000 (2015 Interim: RMB538,959,000), representing a YOY increase of 14.09%. This was mainly due to the combined factors that during the Reporting Period, the revenue contributed from toll highways which operated and invested by the Group recorded a growth, income from equity transfer of subsidiaries and revenue from entrusted management services of Coastal Phase I has been recognised, as well as the financial expenses and depreciation and amortization expenses of toll highways increased.

#### (I) Analysis of Main Business

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

Unit: '000 Currency: RMB

Item	2016 Interim	2015 Interim	Changes (%)
Revenue	<b>2,063,128</b>	1,499,618	37.58
Cost of services	<b>1,067,039</b>	682,866	56.26
Selling expenses	<b>6,941</b>	7,008	-0.96
General and administrative expenses	<b>41,324</b>	29,778	38.77
Financial expenses	<b>270,756</b>	162,589	66.53
Investment income	<b>227,355</b>	136,620	66.41
Income tax expenses	<b>170,590</b>	140,028	21.83
Cash flows from operating activities	<b>904,108</b>	399,389	126.37
Cash flows from investing activities	<b>-2,729,284</b>	-495,025	451.34
Cash flows from financing activities	<b>-1,231,271</b>	-134,174	817.67

##### 2. Revenue

During the Reporting Period, the Group recorded operating income of RMB2,063,128,000, representing a YOY increase of 37.58%, in which toll revenue of RMB1,765,702,000, as the main source of revenue of the Group, accounted for 85.58% of the Group operating income. A detailed analysis of operating income is set out below:

Unit: '000 Currency: RMB

Revenue item	2016 Interim	Percentage of total (%)	2015 Interim	Percentage of total (%)	YOY change (%)	Description
Revenue from main business – toll highways	<b>1,765,702</b>	85.58	1,395,197	93.04	26.56	(1)
Other revenue – entrusted management services	<b>97,827</b>	4.74	54,489	3.63	79.54	(2)
Other revenue – construction consulting	<b>135,404</b>	6.56	N/A	N/A	N/A	(3)
Other revenue – advertising and others	<b>64,195</b>	3.12	49,932	3.33	28.57	
<b>Total revenue</b>	<b>2,063,128</b>	100.00	1,499,618	100.00	37.58	(4)



**Description:**

- (1) During the Reporting Period, toll revenue recorded a YOY increase of RMB370,505,000, which is mainly due to the contribution from toll revenue of RMB293,363,000 resulted from the consolidation of Qinglong Company into the Group's financial statements since 30 October 2015. Save for the effect of such factor, the Group's toll revenue recorded a YOY increase of 5.53%, which was mainly due to beneficial factors including the organic growth of traffic volume of Jihe West and attraction of traffic volume upon the implementation of toll-free for the Three Projects. As a result, the toll revenue experienced a large increase, and other ancillary toll highways also recorded increases to some extent. In addition, pursuant to the agreement relating to the toll adjustment of Three Projects entered into between the Company and Transport Commission of Shenzhen Municipality, during the Reporting Period the Company recognised a compensation amount of RMB254,991,000 for toll revenue of the Three Projects according to the agreement. Details of analysis of the operational performance of various projects during the Reporting Period are set out in the Business Review above. The income presented based on detailed items is set out in section (II) Analysis of Industry, Product or Regional Operation below.
- (2) During the Reporting Period, revenue from entrusted management services recorded a YOY increase of RMB43,338,000, mainly due to the fact that the agreement for operation entrusted management service of Coastal Phase I was entered into by the Company during the Reporting Period, pursuant to which revenue from entrusted management services of RMB42,453,000 from 1 January 2014 to 30 June 2016 was recognised. In addition, during the Reporting Period, the Company signed a joint investment and construction agreement of Section A of Outer Ring. The Company was responsible for construction management of Section A of Outer Ring and revenue from entrusted construction management service of RMB49,692,000 was recognised, leading to a YOY increase of the entrusted construction management services.
- (3) Consulting Company has been consolidated into the Group's financial statements since 1 July 2015 and contributed operating income of RMB135,404,000 during the Reporting Period.
- (4) Since 1 May 2016, the policy of replacing the business tax with value-added tax scheme ("VAT Scheme") has been applied to the Group's businesses such as expressway toll collection and entrusted management services. In a short term, the implementation of the VAT Scheme has little effect on the Group's financial position and operating results, however, owing to the characteristic of "tax-price separation" of the value-added tax, the operating income of the Group during the Reporting Period decreased approximately 2% compared with the business tax.

**3. Costs of Services**

During the Reporting Period, the operating costs of the Group amounted to RMB1,067,039,000 (2015 Interim: RMB682,866,000), representing a YOY increase of 56.26%. The Consulting Company and Qinglong Company were consolidated into the Group's financial statements in the second half of 2015, resulting in increases in the operating costs of RMB109,128,000 and RMB193,546,000 respectively during the Reporting Period. Save for the effect of change in the consolidated financial statements, the operating costs recorded a YOY increase of 11.93%, which was mainly due to certain YOY increase in the costs of entrusted construction management services as well as the depreciation and amortization expenses of ancillary toll highways during the Reporting Period. A detailed analysis of operating costs is set out below:

## Management Discussion and Analysis

Unit: '000 Currency: RMB

Industry	Cost items	Breakdown by industry					Description
		2016 Interim	Percentage of total cost for 2016 Interim (%)	2015 Interim	Percentage of total cost for 2015 Interim (%)	Percentage of YOY change (%)	
Cost of main business – toll highways	Employee expenses	124,973	11.71	102,705	15.04	21.68	(1)
	Road maintenance expenses	64,159	6.01	52,165	7.64	22.99	(2)
	Depreciation and amortisation	582,939	54.63	403,293	59.06	44.54	(3)
	Other business costs	93,496	8.77	75,410	11.04	23.98	(4)
	Sub-total	865,567	81.12	633,573	92.78	36.62	(5)
Cost of other businesses – entrusted management services		55,561	5.21	17,724	2.60	213.48	(6)
Cost of other businesses – construction consulting		109,128	10.23	N/A	N/A	N/A	(7)
Cost of other businesses – advertising and others		36,783	3.44	31,569	4.62	16.52	
<b>Total of cost of services</b>		<b>1,067,039</b>	<b>100.00</b>	<b>682,866</b>	<b>100.00</b>	<b>56.26</b>	

### Description:

- (1) Mainly represents the consolidation of Qinglong Company into the Group's financial statements, which has resulted in an increase in employee expenses.
- (2) Mainly due to an increase in special maintenance expenses of Jihe East and Wuhuang Expressway.
- (3) Mainly represents the consolidation of Qinglong Company into the Group's financial statements, which has resulted in an increase in depreciation and amortization of RMB158,053,000, adjustment in the unit amortisation amount of the concession intangible assets in some ancillary toll highways since 1 January 2016, and an increase in depreciation and amortization costs resulting from the increase in traffic volume.
- (4) Mainly represents the consolidation of Qinglong Company into the Group's financial statements, which has resulted in an increase in cost of other businesses of the Group.
- (5) Costs presented based on detailed items are set out in section (II) Analysis of Industry, Product or Regional Operation below.
- (6) Cost of entrusted construction management services mainly represents employee expenses related to the project management and other service costs arising from the audit results on the projects made by the government and the contractual commitment. During the Reporting Period, the cost of entrusted management services increased by RMB37,837,000, which was mainly due to recognition of the cost of construction management service of Section A of Outer Ring of RMB49,073,000.
- (7) Consulting Company has been consolidated into the Group's financial statements, which has resulted in an increase in the operating costs of RMB109,128,000 during the Reporting Period.

### 4. Expenses

The Group's selling expenses for the Reporting Period amounted to RMB6,941,000 (2015 Interim: RMB7,008,000), remaining the same level YOY in general.

The Group's general and administrative expenses for the Reporting Period amounted to RMB41,324,000 (2015 Interim: RMB29,778,000), representing a YOY increase of 38.77%. The increase was mainly attributable to the consolidation of Consulting Company into the Group's financial statements and the increase in employee expenses due to business expansion.

The Group's financial expenses for the Reporting Period amounted to RMB270,756,000 (2015 Interim: RMB162,589,000), representing a YOY increase of 66.53%, which was mainly attributable to the YOY increase in the scale of the Group's interest-bearing liabilities during the Reporting Period. For details of the borrowing scale, please refer to "Analysis of Assets and Liabilities" below.

During the Reporting Period, the Group's income tax expenses amounted to RMB170,590,000 (2015 Interim: RMB140,028,000), representing a YOY increase of 21.83%. Such increase was mainly attributable to the increase in taxable income resulting from the increase in profit during the Reporting Period.

## 5. Investment Income

During the Reporting Period, the Group recorded investment income of RMB227,355,000 (2015 Interim: RMB136,620,000), representing a YOY increase of 66.41%. The increase mainly was benefited from the fact that during the Reporting Period Guizhou Property, an indirect controlled subsidiary of the Company, completed transfer of all equity interests and liabilities of Guizhou Pengbo and 51% equity interests of Guizhou Hengtongli, both of which had been wholly-owned subsidiaries of Guizhou Property, leading to an increase in the Group's investment income of RMB65,209,000. In addition, the Group recognized the investment income of RMB38,200,000 from Bank of Guizhou and the gains of RMB3,241,000 from bank wealth management products during the Reporting Period. After deducting the effect of the above factors and investment income attributable to Qinglong Company and Consulting Company during the corresponding period of last year, the investment income attributable to joint ventures and associates amounted to RMB120,705,000 (2015 Interim: RMB92,633,000), representing a YOY increase of 30.31%. The increase mainly benefited from factors such as the organic growth of traffic volume and improvement of road network in the regions which have boosted a YOY increase in toll revenue and a corresponding decrease of financial cost as the borrowing scale and capital cost decline. A detailed analysis of the investment income is set out below:

Unit: '000 Currency: RMB

	Toll revenue		Cost of services		Gross margin		Investment income of the Group <sup>Note</sup>	
	2016 Interim	YOY Change (%)	2016 Interim	YOY Change (%)	2016 Interim	Change (pct. pt)	2016 Interim	Change
Toll highway								
<b>Joint ventures:</b>								
Changsha Ring Road	50,025	42.65	19,496	6.41	61.03	13.27	12,475	5,624
<b>Associates:</b>								
Shuiguan Extension	51,782	24.68	36,667	20.30	29.19	2.58	2,234	1,939
Yangmao Expressway	326,514	10.14	78,992	12.60	75.81	-0.53	44,608	4,786
Guangwu Project	183,799	18.95	61,994	30.02	66.27	-2.87	22,870	4,618
Jiangzhong Project	197,739	5.24	147,796	21.15	25.26	-10.07	5,884	718
GZ W2 Expressway	183,752	15.32	76,426	16.71	58.41	-0.50	14,403	5,096
Nanjing Third Bridge	198,787	5.40	56,414	13.08	71.62	-1.93	20,001	5,989
<b>Total</b>	/	/	/	/	/	/	122,475	28,770

Note: Investment income of RMB65,209,000 generated from Guizhou Property's transfer of all equity interests and liabilities of Guizhou Pengbo and 51% equity interests of Guizhou Hengtongli, investment income of RMB38,200,000(2015 Interim: Nil) from Bank of Guizhou,RMB3,241,000 (2015 Interim: Nil) from bank wealth management products, RMB-1,274,000 (2015 Interim: RMB-1,072,000) from United Land Company, RMB-495,000 (2015 Interim: Nil) from Gansu Province Highway Aviation Tourism Engineering Consulting Co., Ltd., nil from Consulting Company (2015 Interim: RMB2,042,000) and nil from Qinglong Company (2015 Interim: RMB38,946,000) and nil from investment income Guangdong UETC(2015 Interim: RMB3,000,000) were not included in the figures of investment income of the Group as set out in the above table. Details are set out in note W11 and 39 to the Financial Statements in this report.

## Management Discussion and Analysis

### 6. Cash Flow

**Descriptions on the reasons for changes in net cash flows from operating activities:** The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments <sup>Note</sup> totaled RMB1,024,875,000 (2015 Interim: RMB486,797,000), representing a YOY increase of 110.53%, which was mainly due to the fact that Qinglong Company had been consolidated into the Group's financial statements, resulting in an increase in the Group's net cash flows from operating activities, and the payment of income tax of RMB423,964,000 in respect of Gains on Disposal of Meiguan Assets in the corresponding period of last year.

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

**Descriptions on the reasons for changes in net cash flows from investing activities:** The Group paid for additional capital contribution of United Land Company and purchased bank wealth management products during the Reporting Period. The net cash outflows from investing activities amounted to approximately RMB2.7 billion.

**Descriptions on the reasons for changes in net cash flows from financing activities:** During the Reporting Period, borrowings received had a significant YOY decrease, and some long-term liabilities were repaid in advance. The net cash outflows from financing activities amounted to approximately RMB1.2 billion.

### 7. Amortisation Policies of Concession Intangible Assets and Differences Analysis

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure reliability and accuracy of the amortised amount. Details on this accounting policy and accounting estimates are set out in notes III\18(1) and 29(1) to the Financial Statements in this report.

During the preliminary stages of toll highways' operation and before reaching their designed saturated traffic volumes, the amortised amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During the Reporting Period, the amortisation difference under the two methods of amortisation attributable to the Company based on its share of interests was RMB85 million, representing certain YOY increase. 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.

## 8. Others

### (1) Accounting Estimate Change in Unit Amortisation Amount of the Concession Intangible Assets of Some Toll Highways

According to the requirement of relative accounting policies and systems of the Company, and in view of actual conditions of the main toll highways, the Group changed the relative accounting estimate of the unit amortisation amount of the concession intangible assets in Qinglian Expressway, Nanguang Expressway, Yanpai Expressway and Yanba Expressway since 1 January 2016. The change of this accounting estimate led to a decrease of RMB11,999,000 in owner's equity attributable to owner's of the Company as of 30 June 2016, and a decrease in the Group's Net Profit of RMB11,999,000 during the Reporting Period, which do not have significant effect on the Group's financial position and operating results. For details thereof, please refer to the relative announcement of the Company dated 29 January 2016 for more details.

## (II) Analysis of Industry, Product or Regional Operation

### 1. Breakdown of Main Business by Industry and Product

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Operating income	Operating costs	Gross profit margin (%)	YOY change in operating income (%)	YOY change in operating costs (%)	YOY change in gross profit margin
Toll highway	1,765,702	865,567	50.98	26.56	36.62	Decrease 3.61 pct.pt

Breakdown of main business by product						
Product	Operating income	Operating costs	Gross profit margin (%)	YOY change in operating income (%)	YOY change in operating costs (%)	YOY change in gross profit margin
Qinglian Expressway	343,653	182,874	46.79	5.11	2.21	Increase 1.51 pct.pt
Jihe East	300,924	135,922	54.83	0.20	3.58	Decrease 1.48 pct.pt
Jihe West	284,076	48,819	82.81	13.77	8.39	Increase 0.85 pct.pt
Wuhuang Expressway	167,992	97,530	41.94	4.36	11.83	Decrease 3.88 pct.pt
Nanguang Expressway	158,065	80,899	48.82	4.09	3.89	Increase 0.10 pct.pt
Yanpai Expressway	81,045	40,114	50.50	6.59	12.61	Decrease 2.65 pct.pt
Yanba Expressway	85,143	55,105	35.28	4.20	7.61	Decrease 2.05 pct.pt
Meiguan Expressway	51,441	30,758	40.21	7.94	16.14	Decrease 4.22 pct.pt
<b>Subtotal</b>	1,472,339	672,021	54.36	5.53	6.07	Decrease 0.23 pct.pt
Shuiguan Expressway	293,363	193,546	34.03	N/A	N/A	N/A
<b>Total</b>	1,765,702	865,567	50.98	26.56	36.62	Decrease 3.61pct.pt

### 2. Breakdown of Main Business by Regions

Unit: '000 Currency: RMB

Region	Revenue during 2016 Interim	YOY Change in revenue (%)
Guangdong Province	1,597,710	29.45
Hubei Province	167,992	4.36

## Management Discussion and Analysis

### Description:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 50.98%, representing a YOY decrease of 3.61 pct.pt, among which, the gross profit margins of Qinglian Expressway and Jihe West increased respectively following the growth of their toll revenue; special maintenance of Jihe East and Wuhuang Expressway increased the maintenance cost and had certain negative effect on toll revenue, resulting in certain decline of gross profit margins; and besides, the gross profit margins of Yanpai Expressway and Yanba Expressway also decreased with the adjustment of the unit amortization amount.

### (III) Analysis of Assets and Liabilities

#### 1. Assets, Liabilities and Equity

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 64.76% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 11.10% and 24.14% of its total assets, respectively. As at 30 June 2016, the Group's total assets amounted to RMB31,162,724,000 (31 December 2015: RMB31,670,655,000), representing a decrease of 1.60% over the end of 2015.

As at 30 June 2016, the total outstanding interest-bearing liabilities of the Group amounted to RMB12,634,874,000 (31 December 2015: RMB13,275,685,000), representing a decrease of 4.83% over the end of 2015. The decrease was mainly attributable to Qinglong Company's early repayment of part of long-term borrowings during the Reporting Period. Affected by the receipt of prepayment from the Shenzhen Government for compensation for the toll adjustment of the Three Projects at the end of 2015, in the first half of 2016, the average borrowing scale of the Group was RMB12.8 billion (2015 Interim: RMB8.17 billion), representing a YOY increase of 56.67%.

Analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of project	30 June 2016	31 December 2015	YOY change (%)	Description
Cash at bank and on hand	3,460,406	6,422,378	-46.12	(1)
Dividends receivable	38,200	-	N/A	(2)
Interest receivable	8,842	959	821.74	(3)
Other receivables	246,631	123,462	99.76	(4)
Current portion of non-current assets	94,285	139,082	-32.21	(5)
Other current assets	919,511	18,880	4,770.42	(6)
Long-term prepayments	4,688	6,851	-31.57	(7)
Available-for-sale financial assets	43,490	30,170	44.15	(8)
Long-term equity investments	4,589,342	1,982,890	131.45	(9)
Advances from customers	364,237	232,848	56.43	(10)
Employee benefits payable	42,935	154,056	-72.13	(11)
Taxes payable	170,049	258,045	-34.10	(12)
Interest payable	170,113	118,790	43.20	(13)
Dividends payable	233,346	-	N/A	(14)
Other payables	879,120	1,325,054	-33.65	(15)
Current portion of non-current liabilities	3,089,645	1,836,241	68.26	(16)
Bonds payable	1,693,471	2,690,330	-37.05	(17)

**Descriptions:**

- (1) Additional capital contribution to United Land Company, purchase of bank wealth management products and dividends distribution.
- (2) Dividends receivable for 2015 distributed by Bank of Guizhou.
- (3) Interest income receivable from term deposits.
- (4) Remaining amount receivable from the transfer of equity interests and liabilities in subsidiaries, and relevant refunds receivable from the government of Longli County for the reorganisation of land and change of use of certain land lots recognized.
- (5) Part of the receivables from Guilong Road BT Project was received.
- (6) Purchase of bank wealth management products.
- (7) Delivery of some of government affordable housing applied.
- (8) Additional capital contribution to Guangdong UETC.
- (9) Additional capital contribution to United Land Company, and the amount of the additional capital contribution made to Bank of Guizhou will be transferred to "Long-term equity investments" from "Other non-current assets".
- (10) An increase in the proceeds from pre-sale of commodity housing of Guilong Development Project, and part of advances from construction management of Section A of Outer Ring and Coastal Phase II.
- (11) Performance bonus for the year 2015 was paid to employees.
- (12) Corporate income tax for the fourth quarter of 2015 was paid.
- (13) Bond interest accrued but not yet paid increased.
- (14) 2015 annual dividend declared but not paid to H share holders, which had been paid as at the Reporting Date.
- (15) The receipt of prepayment from the Shenzhen Government for compensation for the toll adjustment of the Three Projects were classified as "current portion of non-current liabilities" in 2016.
- (16) Medium-term notes due in May 2017 in the amount of RMB1 billion and the receipt of prepayment from the Shenzhen Government for current portion of compensation for the toll adjustment of the Three Projects were classified as "current portion of non-current liabilities".
- (17) Medium-term notes due in May 2017 in the amount of RMB1 billion were classified as "current portion of non-current liabilities".

## Management Discussion and Analysis

### 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. Owing to the combined effect of equity investment and profit distribution, the net borrowings-to-equity ratio of the Group has increased as compared to the beginning of the year, and the interest covered multiple and EBITDA interest multiple generally remained the same level YOY. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

Key indicators	30 June 2016	31 December 2015
<b>Debt-to-asset ratio</b> (Total liabilities/Total assets)	<b>52.41%</b>	52.76%
<b>Net borrowings-to-equity ratio</b> ((Total borrowings – cash and cash equivalents)/Total equity)	<b>64.13%</b>	47.42%
	<b>2016 Interim</b>	2015 Interim
<b>Interest covered multiple</b> ((Profit before tax + interest expenses)/Interest expenses)	<b>3.68</b>	3.91
<b>EBITDA interest multiple</b> (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	<b>5.53</b>	5.65

### 3. Liquidity and Cash Management

During the Reporting Period, in view of the financial position and capital requirement of the Company, the Group strengthened the capital arrangement on subsidiaries and major projects, maintained appropriate cash on hand and sufficient banking facilities so as to prevent liquidity risk.

During the Reporting Period, the Company has engaged in RMB-denominated wealth management products with cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks. Apart from the above mentioned wealth management products, the Group had no deposit in non-bank financial institutions or any amounts applied to securities investment. Further information of the wealth management products is set out in the point (IV) Analysis of the Investment below.

Unit: million Currency: RMB

	30 June 2016	31 December 2015	Change
Net current assets	<b>1,311</b>	4,314	-3,003
Cash and cash equivalents	<b>3,125</b>	6,181	-3,056
Banking facilities available	<b>6,191</b>	5,430	761

### 4. Contingencies

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



## (IV) Analysis of the Investment

### 1. Equity Investment in External Companies

During the Reporting Period, the total equity investment of the Group amounted to RMB1,999 million (2015 Interim: RMB527 million), representing a YOY increase of RMB1,472 million, which is mainly attributable to the additional capital contribution to United Land Company and Bank of Guizhou. Major equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of investee companies	Major business	Shareholding	Investment in 2016 Interim	Description
United Land Company	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land, as well as demolition and relocation of the Meilin Checkpoint Urban Renewal Project.	49%	<b>1,896,300</b>	For details, please refer to the content in Business Review above. As at 30 June 2016, the Company made total capital contribution of RMB2,450 million.
Bank of Guizhou	Deposit and loan business; domestic clearing, bills acceptance and discounting; issuance, redemption and underwriting of various types of bonds; other businesses as approved by the banking regulatory authorities and related departments.	4.92%	<b>68,640</b>	As at 30 June 2016, the Company subscribed 426 million additional shares of Bank of Guizhou by way of capital contribution in the total amount of RMB664,560,000, and held 4.92% of the equity interests in Bank of Guizhou.
Guangdong UETC	It is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.	12.86%	<b>13,320</b>	Guangdong UETC, an associate company of the Company implemented a private placement. During the Reporting Period, the Company subscribed 6,000,000 shares, and the shareholding of the Company in Guangdong UETC decreased from 15% to 12.86%. As at 30 June 2016, the Company made a cumulative capital contribution of RMB43,490,000.

### 2. Equity Interest Held in Financial Companies

Object held	Initial investment amount (RMB'000)	Shareholding at the beginning of the Period (%)	Shareholding at the end of the Period (%)	Carrying amount at the end of the Period (RMB'000)	Profit and loss of the Reporting Period (RMB'000)	Change of owners' equity interests of the Reporting Period (RMB'000)	Account category	Source of shares
Bank of Guizhou	595,920	4.15%	4.92%	664,560	38,200	38,200	Long-term equity investments	Additional shares subscribed

#### Descriptions:

As at 30 June 2016, the Company held 4.92% of the equity interests in Bank of Guizhou, being the fourth largest shareholder of the bank. According to the shareholder resolution passed on 17 June 2016, the Company was granted a directorship of Bank of Guizhou, which has significant influence on the Company. Since on 17 June 2016, long-term equity investments is accounted for under equity method.

## Management Discussion and Analysis

### 3. Entrusted Wealth Management and Derivative Investments of Non-financial Companies

Unit: '000 Currency: RMB

Cooperation parties	Types of entrusted wealth management products	Entrusted management amount	Start date of entrusted wealth management	End date of entrusted wealth management	Remuneration determining manner	Estimated income	Actual principal amount recovered	Actual income obtained	Through legal procedures or not	Provision for impairment reserves	Related to transactions or not	Involved in litigations or not	Fund source and explain whether it is raised fund	Connected relationship
Ping An Bank	Product with guaranteed principal and floating income	150,000	28 March 2016	25 April 2016	Expected rate of return	402.7	150,000	402.7	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	150,000	1 April 2016	29 April 2016	Expected rate of return	402.7	150,000	402.7	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	200,000	6 April 2016	4 May 2016	Expected rate of return	506.3	200,000	506.3	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	150,000	26 April 2016	24 May 2016	Expected rate of return	345.2	150,000	345.2	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	150,000	4 May 2016	1 June 2016	Expected rate of return	322.2	150,000	322.2	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	200,000	5 May 2016	2 June 2016	Expected rate of return	429.6	200,000	429.6	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	100,000	24 May 2016	21 June 2016	Expected rate of return	214.8	100,000	214.8	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	150,000	1 June 2016	29 June 2016	Expected rate of return	322.2	150,000	322.2	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	150,000	2 June 2016	30 June 2016	Expected rate of return	322.2	150,000	322.2	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	100,000	21 June 2016	19 July 2016	Expected rate of return	230.1	-	-	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	150,000	29 June 2016	27 July 2016	Expected rate of return	379.7	-	-	Yes	-	No	No	No	Nil
Ping An Bank	Product with guaranteed principal and floating income	150,000	30 June 2016	28 July 2016	Expected rate of return	379.7	-	-	Yes	-	No	No	No	Nil
China Development Bank	Product with guaranteed principal and floating income	300,000	7 April 2016	6 July 2016	Expected rate of return	2,293.2	-	-	Yes	-	No	No	No	Nil
China Development Bank	Product with guaranteed principal and floating income	100,000	7 April 2016	10 October 2016	Expected rate of return	1,656.2	-	-	Yes	-	No	No	No	Nil
Bank of China	Product with guaranteed principal and guaranteed income	50,000	25 May 2016	24 June 2016	Specified rate of return	119.2	50,000	119.2	Yes	-	No	No	No	Nil
Bank of China	Product with guaranteed principal and guaranteed income	50,000	1 June 2016	1 July 2016	Specified rate of return	119.2	-	-	Yes	-	No	No	No	Nil
Bank of China	Product with guaranteed principal and guaranteed income	50,000	24 June 2016	25 July 2016	Specified rate of return	131.5	-	-	Yes	-	No	No	No	Nil

Cooperation parties	Types of entrusted wealth management products	Entrusted management amount	Start date of entrusted wealth management	End date of entrusted wealth management	Remuneration determining manner	Estimated income	Actual principal amount recovered	Actual income obtained	Through legal procedures or not	Provision for impairment reserves	Related to transactions or not	Involved in litigations or not	Fund source and explain whether it is raised fund	Connected relationship
<b>Total</b>		/ 2,350,000	/	/	/	8,576.7	1,450,000	3,387.1	/	-	/	/	/	/
Accumulated amount of overdue principal and income not received (RMB)											-			
Description on entrusted wealth management							Pursuant to the resolution passed in of the 13th meeting of the seventh session of the Board of the Company, the Company purchased RMB-denominated short-term corporate wealth management product with guaranteed principal from cooperative banks since 28 March 2016 on the condition that both safety and liquidity of capital reserve can be ensured. The expected yield rate was 2.80% to 3.50%. During the Reporting Period, the actually obtained income amounted to RMB3,387,100 (tax inclusive).							

#### 4. Analysis of Major Subsidiaries and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	30 June 2016		2016 Interim			Principal business
			Total assets	Net assets	Revenue	Operating profit/(loss)	Net Profit/(Net loss)	
Meiguan Company	100%	332,400	908,791	548,005	58,282	22,323	17,627	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,409,046	1,770,868	302,034	161,329	120,656	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK\$795,381	1,976,633	1,608,606	170,412	85,416	43,422	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	7,785,854	2,560,142	346,507	25,853	19,388	Construction, operation and management of Qinglian Expressway and auxiliary facilities
JEL Company/ Magerk Company	55%	US\$28,000	888,852	753,171	170,412	69,201	51,894	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	4,489,408	2,594,398	295,602	68,754	51,542	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	1,382,539	827,212	174	53,402	34,725	Investment in industries and project construction
Guishen Company	70%	500,000	1,359,991	793,918	114	56,132	53,509	Investment, construction and management of road and urban and rural infrastructure
United Land Company	49%	5,000,000	5,469,088	4,990,023	-	(2,600)	(2,600)	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land, as well as demolition and relocation of the Meilin Checkpoint Urban Renewal Project.

For the operational and financial performance of the major subsidiaries and participating companies mentioned above during the Reporting Period, please refer to the relevant content in this section.

## Management Discussion and Analysis

### 5. Project of Non-raised Capital

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Period	Accumulated amount invested	Gains from the project
Qinglian Project	6,125,390	100%	4,250	6,071,720	Outer Ring Project is in the initial period of construction. For details of the operational performance of other projects during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Nanguang Expressway	3,149,320	99%	2,875	3,077,025	
Reconstruction and expansion for Meiguan Expressway	703,271	100%	1,823	641,474	
Outer Ring Project	6,500,000	2%	28,623	88,963	
<b>Total</b>	/	/	<b>37,571</b>	9,879,182	

By the end of 2018, the Group's total capital expenditure will be expected to be approximately RMB5.885 billion. The Group plans to satisfy such capital needs with its own capital and 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.

The capital expenditure plan of the Group from the second half of 2016 to 2018:

Unit: '000 Currency: RMB

Project	Second half of 2016	2017	2018	Total
<b>1. Investment of intangible assets and fixed assets</b>				
Outer Ring Project	730,317	2,623,360	2,259,110	5,612,787
Reconstruction and expansion of Meiguan Expressway	61,797	-	-	61,797
Qinglian Project	52,300	1,370	-	53,670
Nanguang Expressway	63,615	7,320	1,360	72,295
Other investment (Investment in mechanical and electrical equipments, etc.)	58,613	-	-	58,613
<b>2. Investment of equity interests</b>				
Fameluxe Investment	26,000	-	-	26,000
<b>Total</b>	992,642	2,632,050	2,260,470	5,885,162

### (V) Financial Strategies and Financing Arrangements

During the Reporting Period, the general financial market operated stably, the credit growth remained faster, the interest rate on the currency market remained low, volatility in the bond market increased, the bond rate has a slight increase while maintaining stable, the exchange rate of RMB against the US dollars weakened by phase, and bisectonal fluctuation is more apparent. At the end of 2015 and the beginning of the Reporting Period, according to the financial position, the Company in accordance with the early repaid of long-term debt of 1.07 billion. For the purpose to establish a platform for domestic and overseas financing, expand financing channel, according to the strategic goal of the Company, the Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in early July. The funds will be used to invest in construction expenditure and optimize the capital structure. The Company has arranged to lock in the foreign exchange rate of the above said bond to maintain the financial stability.

The Group's composite borrowing costs for the Reporting Period amounted to 5.11% (2015: 5.53%), which was 0.42 percentage point lower than that in 2015. 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 borrowings 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 in China; as to international body rating, the Company obtained Moody's Baa2, Standard & Poor's BBB and Fitch BBB. In credit ratings of debt, the credit rating for corporate bonds raised from AA+ to AAA, and the others all remained at AAA level.

As at 30 June 2016, the Group had obtained a total of RMB13.6 billion of banking facilities, including RMB7.2 billion of credit facilities specifically for projects under construction and RMB6.4 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB6.2 billion.

## (VI) Profit Distribution or Capital Reserve into Share Capital Conversion of Proposal

### 1. Interim Profit Distribution Proposal

The Board does not recommend any payment of 2016 interim dividend (2015 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

### 2. Implementation of the Annual Profit Distribution Proposal for 2015

In accordance with the resolution passed in the shareholder meeting in 2015, the Company distributed a cash dividend to all shareholders amounting to RMB741,461,910.84, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.34 per share (tax inclusive). The profit distribution plan was completed by 18 July 2016.

## Management Discussion and Analysis

### III. Outlook and Plans

#### (I) Analysis on Operating Environment

In the past several years, the world's major economies have met challenges in economic growth. The global economy is still facing uncertainties. China has entered into a shift period in economic growth in 2016, that is, the GDP growth rate is changing from a high rate of 8%-10% a medium to high rate of 6%-8%. In the short term, China's economy is generally evolving into a stable growth period, but it is still facing many difficulties and challenges, especially with those medium to long-term structural problems that need to be solved. Economic development determines demand for transportation. Against such a backdrop, there would be greater uncertainty on the operational performance of toll highway projects, and there may be an increasing number of new problems in the operation management.

It is expected that the Chinese government will strengthen supply-side structural reform while facing expanding demand at a moderate pace. There is still certain space for easing monetary policy and fiscal policy. In the infrastructure field, it is expected that the government will increase investment and promote the PPP Model, which brings opportunities for the Group to develop toll highways and roads as well as other city and transportation infrastructure business, and puts forward higher requirements for the innovative capability of business models. The monetary policy may further improve effectiveness and relevance on the basis of maintaining suitable liquidity, which provides the Company with a sound external environment for the expansion of financing channel.

During the first half of 2016, there was no material change in the policy of toll highway industry and the policy is expected to remain stable in the short term. In respect of toll adjustment, Meiguan Expressway, Yantian'ao Tunnel, Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway implemented toll adjustment or cancelled toll collection in succession since 2014. Along with the regional economic development and demand for transportation, and based on the overall consideration of the planning of the economy and transportation, the Shenzhen Government might further push forward new traffic arrangements and adjustment plans, which involves expressways operated, invested or managed by the Group. The Company would actively negotiate and communicate with relevant government departments to formulate a reasonable and feasible plan for mutual development.

In respect of the changes of road networks, since the toll adjustment proposal of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway was implemented at 0:00 on 7 February 2016, the traffic in toll-free section has experienced fast growth, driving the growth of traffic of the connecting Jihe Expressway. However, some of the traffic that would have travelled in Meiguan Expressway changed their routes to Nanguang Expressway and Longda Expressway, which had a slight diversion impact on the traffic of Meiguan Expressway. In general, all the above has a positive impact on the traffic of Shenzhen road networks of the Group. Pinghu Marshalling Yard Bridge of Jihe Expressway had been closed for construction from May to July in 2016, generating temporary negative impact on the operational performance of Jihe East. The negative impact was eliminated accordingly upon the completion of construction. The impact of diversion resulting from Guangle Expressway (Guangzhou – Lechang, in Guangdong) and Erguang Expressway Lianzhou to Huaiji section (in Guangdong) on Qinglian Expressway is expected to become stable. The reconstruction and expansion work of Guangqing Expressway (Guangzhou – Qingyuan, in Guangdong), which connects to the southern end of Qinglian Expressway is currently under way. The construction of the connecting line between Guangqing Expressway and Qinglian Expressway commenced in November 2014. These two projects will be completed by the end of 2016 and 2017 respectively according to the public information. In addition, construction of the connecting line between Erguang Expressway and Qinglian Expressway is under way as well. Upon completion of these projects, the traffic efficiency and quality of the service of the whole passage will be improved, and the functions of the major traffic routes between Hunan and Guangdong Provinces will be brought into full play, thus enhancing the competitiveness of Qinglian Expressway and improving its operational performance.

## (II) Operating Plans

During the second half of 2016, the Group will focus on the following work:

- **Toll highway business:** Continue to deepen the internal management, enhance the overall operation management quality and improve customer's satisfaction. Make amendment and verification for road network data models under inter-network toll collection. Adopt targeted promotional and marketing strategies to attract traffic, so as to meet the toll revenue target. Pursue the concept of optimal maintenance cost control during the whole operation period and vigorously carry out the preventive maintenance works.
- **Construction management business:** Strengthen process control and management, establish a dynamic cost management system, strengthen its control over engineering changes, so as to effectively control the construction cost of projects through standardized and refined contract management. Ensure the co-ordination for the collection of entrusted construction account receivables and consolidate its experience in entrusted construction management in time.
- **Project development and management:** Facilitate the progress of various activities related to the Guilong Project. Carry out the negotiations and confirmation for the development mode for Meilin Checkpoint Renewal Project. Put more efforts into the selection and examination of new projects and business, including toll highway projects and projects of the environmental protection industry, and pay continuous attention to and manage risks.
- **Financing and financial management:** Carry out the issue of overseas bonds and further locking of exchange rate, lower capital cost and prevent exchange rate risk. Learn the financial policies and market changes in a timely manner. Conduct an in-depth research on equity diversification and equity financing, expand financing channel, and optimize financing structure so as to support the implementation of new strategies.

## Significant Events

### Condition and Influence of Incentive Scheme

The purpose of the Incentive Scheme is to further establish and improve long-term corporate incentive system of the Company, attract and retain talent, fully mobilise the motivation of senior management members, middle and core management and key technicians of the Company, effectively tying the interests of the shareholders, the Company and the management of the Company and enabling the respective parties to become aware of the Company's long-term development, and to promote the realisation of the development strategies of the Company. On 15 January 2016, the relevant proposals regarding the Restricted A Share Incentive Scheme of the Company were passed by the Board. The Board proposed to grant a total number of 17,191,690 Restricted Shares to 75 Participants with the price of RMB5.35 per share. On 24 June 2016, the Company convened the extraordinary general meeting (the "EGM") and the class meetings to approve the relevant proposals. The resolutions were passed by the EGM and the class meeting of the holders of A shares (the "ACM"), but were not passed by the class meeting of the holders of H shares (the "HCM"). The Company believes that some H-share shareholders have certain misunderstandings on these resolutions, and has begun to make explanations based on legal compliance and respect for the market. Implementation of the Restricted A Share Incentive Scheme is significant to the development of the Company and is in the interest of all shareholders of the Company, the Company will further refine and amend the Restricted A Share Incentive Scheme, and convene an extraordinary general meeting and class meetings to consider and approve the resolutions in relation to the Restricted A Share Incentive Scheme as soon as practicable.

For details thereof, please refer to the announcements of the Company dated 15 January 2016, 25 April 2016, 9 May 2016, 24 June 2016, 11 July 2016, 5 August 2016 respectively, and the circular of the Company dated 30 May 2016.

### Significant Transaction and Progress

On 8 August 2014, the Company and Shenzhen International entered into the Framework Agreement on Joint Venture in Establishment of the Project Company in Relation to Meilin Checkpoint Urban Renewal Project (「關於合資成立梅林關城市更新項目公司的框架協議」). The Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly established a project company to implement the Meilin Checkpoint Urban Renewal Project pursuant to the agreement. The Company and XTC Company own 49% and 51% equity interests in the project company respectively and make capital contributions in cash and in proportion to their respective interests. The initial registered capital of the project company shall be RMB200,000,000. Both shareholders of the project company will make further capital contributions to the project company if additional capital is required by the project company. The aggregate capital contributions (including Initial Capital Contribution and Subsequent Capital Injection) of the parties shall not exceed RMB5,000,000,000. The aforesaid matters have been approved by independent shareholders of the Company in the EGM on 8 October 2014. As at 30 June 2016, the contributions from the Company and XTC Company have been completed according to the agreement. The Company's capital contribution is RMB2,450,000,000. For details of United Land Company (the project company established in accordance with the Agreement), please refer to the relevant content in "Management Discussion and Analysis" of this report. For details of the Agreement and the transaction, please refer to the announcements of the Company dated 8 August 2014, 10 September 2014 and 8 October 2014, respectively, and the circular of the Company dated 17 September 2014.

On 30 November 2015, the Company and the Shenzhen Transport Commission entered into the Agreement on the Toll Adjustment, Compensation and Transfer of Asset regarding Nanguang Expressway, Yanpai Expressway and Yanba Expressway, pursuant to which the Company has agreed to implement toll-free for Nanguang Expressway, Yanpai Expressway and Yanba Expressway, in exchange for cash compensation calculated based on adjustment mechanism by the Transport Commission. All conditions precedent for the effectiveness of the above agreement have been satisfied in 29 January 2016 accordingly. According to the adjustment agreement, Nanguang Expressway, Yanpai Expressway and Yanba Expressway are operated by card access and the toll of them is exempted from 00:00 on 7 February 2016. For details thereof, please refer to the announcements of the Company dated 2 December 2015 and 1 February 2016, respectively and the circular of the Company dated 12 January 2016.



On 23 December 2015 and 21 March 2016, the Company entered into two Share Subscription Agreements with Bank of Guizhou, pursuant to which the Company respectively subscribed 382,000,000 subscription shares and 44,000,000 subscription shares issued by Bank of Guizhou in the consideration of RMB595,920,000 and RMB68,640,000. For details thereof, please refer to the announcements of the Company dated 30 November 2015, 23 December 2015 and 21 March 2016, respectively.

On 18 March 2016, Outer Ring Company and Shenzhen Transport Commission entered into the Concession Agreement of Shenzhen Section of Shenzhen Outer Ring Expressway (「深圳外環高速公路深圳段特許經營權合同」), the Company, Outer Ring Company and SZCDGC entered into the Joint Investment and Construction Agreement of Shenzhen Section of Shenzhen Outer Ring Expressway (「深圳外環高速公路深圳段共同投資建設協議」), pursuant to which the Company and Outer Ring Company shall in aggregate invest funds or arrange financing with an amount of RMB6.5 billion for the acquisition of the concession rights of Outer Ring Section A. The concession period of Outer Ring Section A shall comprise a 38-month construction period and a 25-year operation period. Outer Ring Company shall act as the entity for the construction and operation of Outer Ring Section A and be fully in charge of the operation and management of construction, toll collection, facilities, road assets, finance, etc.. The Company shall be entrusted to manage the construction of Outer Ring Section A. For details thereof, please refer to the announcement of the Company dated 18 March 2016 and the circular of the Company dated 25 April 2016.

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

Through public tendering, Outer Ring Company respectively entered into Construction Contracts of the second, third, fourth, sixth and ninth sections of Outer Ring Section A with China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway Engineering Bureau Co., Ltd. (“CCCC Second Highway”), CCCC Second Harbour Engineering Bureau Co., Ltd. (“CCCC Second Harbour”), China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour Engineering Bureau Co., Ltd. (“CCCC Third Harbour”) on 24 March 2016. Pursuant to the Construction Contracts, China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway, CCCC Second Harbour, China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour would be the construction contractor of the second, third, fourth, sixth and ninth contract sections of the Outer Ring Section A respectively, the total contract prices being RMB1,167 million, RMB1,237 million, RMB956 million, RMB962 million and RMB929 million respectively. The total contract prices were determined based on the bid prices submitted by each of the construction contractors for the public tenders for the construction of the relevant sections of Outer Ring Section A conducted by Outer Ring Company. For details thereof, please refer to the announcement of the Company dated 24 March 2016. As at the end of the Reporting Period, the contract amounts recognised by each construction section were RMB23 million, RMB25 million, RMB19 million, RMB5 million and RMB18 million.

### Connected Transaction and Continuing Connected Transaction

Pursuant to the entrusted operation management agreement entered into between the Company and SIHCL on 6 November 2009, the Company was entrusted to manage Coastal Company, and an agreement would be further entered into in respect of the detailed arrangements for the entrusted management of Coastal Expressway (Shenzhen Section) during its term of operation. On 16 June 2016, the Company and Coastal Company entered into Entrusted Operational Management Service Agreement in Relation to Phase I of Guangshen Coastal Expressway Shenzhen Section, pursuant to which Coastal Company shall entrust the management and maintenance of the highway assets and related ancillary facilities and the operation of toll collection of Coastal Expressway Phase I to the Company during the period from 1 January 2014 to 31 December 2016. The entrusted management service fee shall be RMB18 million per annum. As Coastal Company is a wholly-owned subsidiary of SIHCL (the controlling shareholder of Shenzhen International as defined under the Listing Rules) and Shenzhen International indirectly holds approximately 50.889% equity interest in the Company, the above transaction constitutes a connected transaction/a continuing connected transaction of the Company in accordance with the Listing Rules of SSE and HKEx. For details thereof, please refer to the announcement of the Company dated 16 June 2016.

## Significant Events

### Connected Transaction

As stated above, on 24 March 2016, Outer Ring Company respectively entered into the construction contracts with CCCC Second Highway, CCCC Second Harbour and CCCC Third Harbour in relation to the third, fourth and ninth contract section of the Outer Ring Section A. According to the Listing Rules, CCCC-SHB Fifth Engineering Co. Ltd. (which holds 30% interest in the Company's non-wholly owned subsidiary, Guishen Company) is a connected person of the Company at the subsidiary level, and therefore CCCC Second Highway, CCCC Second Harbour and CCCC Third Harbour also become connected persons of the Company at the subsidiary level by virtue of being the associates of CCCC-SHB Fifth Engineering Co. Ltd.. According to the Listing Rules of HKEx, the above construction contracts signed by Outer Ring Company constitute connected transactions of the Company. For details thereof, please refer to the announcement of the Company dated 24 March 2016.

### Continuing Connected Transaction and Progress

As stated above, the Company and Shenzhen International entered into the Framework Agreement on Joint Venture in Establishment of the Project Company to Implement Meilin Checkpoint Urban Renewal Project (「關於合資成立梅林關城市更新項目公司的框架協議」) on 8 August 2014. Shenzhen International indirectly owns 50.889% interests in the Company, in accordance with the Listing Rules of SSE and HKEx, the transaction constitutes a connected transaction of the Company. For the details thereof, please refer to the announcements of the Company dated 8 August, 10 September, 8 October 2014, and the circular of the Company dated 17 September 2014.

According to the Entrusted Construction Management Agreement of Guangshen Coastal Expressway (Shenzhen Section) (「廣深沿江高速公路(深圳段)項目建設委託管理(代建)合同」) (the "Original Entrusted Agreement") dated 9 September 2011 entered into between the Company and Coastal Company, Coastal Company agreed to entrust the Company to manage the construction of Coastal Expressway (Shenzhen Section) and the Company agreed to undertake the management of construction of Coastal Expressway (Shenzhen Section). According to the traffic infrastructure planning formulated by governmental authorities and the progress of the relevant design works, the defined project scope of Coastal Expressway (Shenzhen Section) as at the time of entering into the Original Entrusted Agreement only included the construction of Phase I of Coastal Expressway (Shenzhen Section). Based on the overall planning and design of Coastal Expressway and its surrounding highways, including the Shenzhen-Zhongshan Corridor, as developed and announced by the governmental authorities, the scope of Phase II of Coastal Expressway (Shenzhen Section) has been defined. Pursuant to the Original Entrusted Agreement, Phase II of Coastal Expressway (Shenzhen Section) (as part of Coastal Expressway (Shenzhen Section)) shall be constructed and managed by the Company under the entrustment of Coastal Company. To further clarify the rights and obligations, Coastal Company and the Company entered into a Supplemental Agreement to the Entrusted Construction Management Agreement of Guangshen Coastal Expressway (Shenzhen Section) (「廣深沿江高速公路(深圳段)項目建設委託管理(代建)補充合同」) (the "Supplemental Agreement") on 1 June 2016, which sets out further provisions in respect of the scope of the entrusted construction, project management objectives, provisional amount of the entrusted construction service fee and the amount of performance guarantee of Phase II of Coastal Expressway (Shenzhen Section). Matters not covered by the Supplemental Agreement shall be governed by the Original Entrusted Agreement. For details thereof, please refer to the announcement of the Company dated 1 June 2016.

### Advances and Liabilities 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.

## Management Contract

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

For 2016 Interim, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB683,560,000 and RMB42,829,000 respectively. For 2016 Interim, Magerk Company recorded operating profit of RMB69,201,000, representing 8.01% of the operating profit of the Group, and net profit of RMB51,894,000, with net profit attributable to the Group being RMB28,542,000 after deducting minority interests, representing 4.64% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the financial position and operating results of the Group.

## External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of guarantee	Date of occurrence (date of agreement)	Commencement of guarantee	End of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for connected party or not
The Company	China Construction Bank Shenzhen Branch	800	20 Apr 2007	Aug 2007	Repayment of corporate bonds of the Company (principal and interests)	Joint liability guarantee <sup>(1)</sup>	No	No	No	No
Guizhou Property	customers of Shenzhen Expressway • Interlaken Town Phase I Group A	63.84	May 2015 – June 2016	Effective date of mortgage loan contract	Mortgage effective date under the contract	Joint liability guarantee <sup>(2)</sup>	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										36.28
Total balance of guarantees as at the end of the Reporting Period (A)										863.84
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										0
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										0
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										863.84
Proportion of total amount of guarantees to the net assets of the Company (%)										7.06%
Including:										
Amount of the guarantees for shareholders, de-facto controller and their connected parties (C)										–
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70% (D)										800
Amount of the guarantees exceed 50% of net assets of the Company (E)										–
Total amount of the above three guarantees (C+D+E)										800
Description on unexpired guarantees may be confronted with Joint liability										N/A

## Significant Events

Description on guarantees:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the shareholders of the Company in the 2006 Annual General Meeting of the Company. For details on the guarantee, please refer to the relevant content heading "Mortgage and Pledge of Assets" below.
- (2) The 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. The above-mentioned guarantees for a subsidiary of the Company had been approved by the Board in the eighth meeting of the sixth session of the Board. Guishen Company had entered into agreements regarding the bank loans/credit facilities of RMB800 million under above-mentioned guarantees. On 30 June 2016, the balance of the loan used by Company was RMB0, the guarantees provided by the Company is RMB0 in proportion to the 70% interests.
- (3) The periodical joint liability guarantees to qualified mortgage customers of "Shenzhen Expressway • Interlaken Town Phase I Group A" in accordance with the real estate industry business practices by Guizhou Property, a subsidiary of the Company, have been approved by the forth meeting of the seventh session of Board of the Company on 30 June 2015. It is expected the total amount shall not exceed RMB250 million. During the Reporting Period, Guizhou Property provided periodic guarantees for 24 customers with an accumulated amount of RMB36,280,000. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB63,840,000.
- (4) The joint liability guarantee which covers the principle, interest and relevant expenses in relation to the USD debentures to be issued by its wholly-owned subsidiary in an aggregate principal amount of not more than USD300 million in accordance with the general practice of overseas debenture market by Mei Wah Company, a subsidiary of the Company, have been approved by the shareholders in the First Extraordinary General Meeting 2015 of the Company on 20 August 2015. As at the Reporting Date, the Company has adjusted the issuance plan of USD debentures according to the actual conditions of the market with the Company itself as the subject, and has completed the issuance of debentures. Therefore, the guarantee will not be processed.
- (5) The company has no external guarantee in violation of decision-making procedures.

## 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 <sup>(1)</sup>	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities by Qinglian Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)

Description on mortgage and pledge of assets:

- (1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Qinglian Company was RMB1,932 million.

## 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.

## Undertakings

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

## Rotation of Accounting Firm

According to the relevant provisions of the continuous period of the annual audit for an enterprise that the auditors may undertake in “Provisional Regulations on annual financial accounts audit of Shenzhen municipal state-owned enterprise” (「深圳市屬國有企業年度財務決算審計工作暫行規定」) issued by State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People’s Government (深圳市人民政府國有資產監督管理委員會) in 2015, the rotation of auditors shall be performed by the Company. PricewaterhouseCoopers Zhong Tian LLP has retired as the auditors of the Company upon conclusion of the annual general meeting of the Company for 2015. The Second Extraordinary General Meeting 2016 has considered and approved to appoint Ernst & Young Hua Ming LLP as the auditors of the Company for 2016, to perform consolidated audit on the annual statements and internal control, and undertake the role of the international auditors in compliance with the Listing Rules of HKEx. For details thereof, please refer to the announcement of the Company dated 25 April 2016.

## Information on Corporate Governance

The Company is listed on both SSE and HKEx. The Company has to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the Company Law and the relevant requirements issued by China Securities Regulatory Commission. The Company has also fully adopted all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. The Company strives to achieve better corporate governance practices, for details, please refer to the content in Annual Report 2015 of the Company.

## Significant Events

### Investor Relationship Management

In order to promote the implementation of the works of “Fairness by the Side” special event initiated by CSRC, the Company actively responded to the requirements of Shenzhen Regulatory Bureau to develop the “Blue Sky Action” Special Work Plan Regarding Conducting Investor Protection (「關於開展投資者保護“藍天行動”專項工作方案」). The management of the Company highly values the communication with its investors. In the first half, the Chairman, President, Financial Controller, Secretary of the Board and other senior management of the Company participated in the relevant investor relations activities to communicate and interact with investors directly. The investor relations activities were mostly organised by the Company in the following forms:

- Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website, and promptly responding to investors' enquiries. In the first half of 2016, the Company replied approximately 166 investors' enquiries by the way of website, telephone or e-mail.
- Properly arranging request of visits and researches from the investors. During the first half of 2016, the Company received in aggregate of 12 investors' visits involving 25 visitors, with an open-minded attitude communicating with the investors, and has built up a direct communication mechanism between investors and the Company.
- Conducting various forms of presentation activities, including organising result presentations and press conferences, online investor meetings and road-shows as well as participating in different types of investor forums. In the first half of 2016 the Company conducted face-to-face communications with over 214 investors and media reporters.
- Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 2 issues of E-news and 2 result presentation materials in the first half of 2016, providing information to investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Apart from the manner of e-mails, E-news is also uploaded to the Company's website for investors' access at any time.
- Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website (<http://www.sz-expressway.com>).
- The Company also timely handled and replied investors' messages, and uploaded investors' interaction records monthly through the “e-interaction” platform developed by the SSE for listed companies and investors.

### Employees, Remuneration and Training

As at 30 June 2016, the Group (including the Company and its subsidiaries consolidated into the financial statements) had 4,933 employees, of whom 1,749 were management and professional staffs while 3,184 were toll collection staff.

Staff remuneration and benefit of the Company comprise wage, performance bonus and statutory and company benefits which are determined according to the market value of the position and the overall performance of staff. Pursuant to statutory requirements, the Company has participated in an employee retirement scheme (social pension insurance) and a housing provident fund plan organised by the local government authorities, and has applied various protection plans such as basic medical insurance package, work injury insurance and unemployment insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the 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 expense. For details of the remuneration and benefits for employees, please refer to notes III21 and V19 to the Financial Statements of this report.

During the Period, the Company had organised 25 trainings, with a total of 820 participants.

## Review of Interim Results

The 2016 interim financial information and the comparative figures for the same period of 2015 are prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Listing Rules of HKEx. The Audit Committee of the Company has reviewed and confirmed the financial statements and the interim report for the six months ended 30 June 2016. The relevant financial information has not been audited.

## Name of Directors

As at the date of this report, the Directors are Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Wang Zeng Jin (Executive Director), Mr. Li Jing Qi (Non-executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Au Sing Kun (Independent non-executive Director), Mr. Lin Chu Chang (Independent non-executive Director), Mr. Hu Chun Yuan (Independent non-executive Director) and Mr. Chen Tao (Independent non-executive Director).

By Order of the Board

**Hu Wei**  
*Chairman*

Shenzhen, PRC, 19 August 2016

# Share Capital and Shareholders

## I. Profile of Movements of Share Capital

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

## II. Information of Shareholders

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

### 1. Total Number of Shareholders:

The total number of shareholders of the Company is 27,724, of which 27,474 were holders of A shares and 250 were holders of H shares.

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

Unit: share

The top ten shareholders						
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage (%)	Number of restricted circulating shares held	Number of shares pledged or frozen	Nature of shareholders
HKSCC NOMINEES LIMITED <sup>(1)</sup>	+1,540,000	719,999,099	33.01	–	Unknown	Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	–	654,780,000	30.03	–	None	Domestic non-state-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	–	411,459,887	18.87	–	None	Domestic non-state-owned legal person
China Merchants Hua Jian Highway Investment Co., Ltd	–	87,211,323	4.00	–	None	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	–	61,948,790	2.84	–	None	State-owned legal person
AU SIU KWOK	–	11,000,000	0.50	–	Unknown	Overseas natural person
IP KOW	–	9,100,000	0.42	–	Unknown	Overseas natural person
ZHANG PING YING	+6,094,806	6,094,806	0.28	–	Unknown	Domestic natural person
Bank of China Limited – Huatai-pinebridge Quantify Enhanced Hybrid Securities Investment Funds	+3,963,624	3,963,624	0.18	–	Unknown	Domestic non-state-owned legal person
HONG KONG SECURITIES CLEARING COMPANY LTD. <sup>(2)</sup>	+254,768	3,102,925	0.14	–	Unknown	Overseas legal person



The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED <sup>(1)</sup>	719,999,099	H Share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A Share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A Share
China Merchants 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
ZHANG PING YING	6,094,806	A Share
Bank of China Limited – Huatai-pinebridge Quantify Enhanced Hybrid Securities Investment Funds	3,963,624	A Share
HONG KONG SECURITIES CLEARING COMPANY LTD. <sup>(2)</sup>	3,102,925	A Share
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.	

Note:

- (1) The H shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.
- (2) The A shares held by HONG KONG SECURITIES CLEARING COMPANY LIMITED were held on behalf of the overseas participants under Shanghai-Hong Kong Stock Connect Program.

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

As at 30 June 2016, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

*A Shares:*

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

## Share Capital and Shareholders

### H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
JPMorgan Chase & Co.	Beneficial owner/Investment manager/ Custodian <sup>(5)</sup>	52,007,487(L)	6.95%(L)
		2,420,000(S)	0.32%(S)
		19,495,042(P)	2.60%(P)
Advance Great Limited	Beneficial owner	43,536,000(L)	5.82%(L)
Shenzhen International <sup>(2)</sup>	Interest of corporation controlled <sup>(3)</sup>	43,536,000(L)	5.82%(L)
SIHCL	Interest of corporation controlled <sup>(4)</sup>	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 Securities and Futures Ordinance for relevant definitions

### Notes:

- (1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- (3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and 43,536,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International.
- (4) SIHCL indirectly held 44.26% interests in Shenzhen International. Pursuant to Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.
- (5) The relevant interests of JPMorgan Chase & Co. were held via JPMorgan Chase & Co. and its subsidiaries.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 June 2016.

#### 4. The Controlling Shareholders and the De-facto Controller

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

### III. Others

#### 1. 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.

#### 2. Other Listed Securities

During the Reporting Period, the listed bonds rating of the Company on SSE were as follows:

Abbreviation of bonds	Rating institution	Follow-up rating result
11 Shenzhen Expressway	中誠信證券評估有限公司 (China Chengxin Securities Rating Co., Ltd.)	Raised the issuer rate and credit rate of the bond to AAA

Notes:

- (1) "11 Shenzhen Expressway" was ceased listing and its payment was due on 27 July 2016. For details please refer to announcement dated 15 July 2016 of the Company.
- (2) The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in July, the Bond Abbreviation is "SZEW B2107" and Bond Code is "5684", and it has been listed on HKEx since 19 July 2016.

# Directors, Supervisors, Senior Management

## I. Changes of the Directors, Supervisors and Senior Management

### 1. Personal Changes

Name	Position	Change	Reason for the change
CHIU Chi Cheong, Clifton	Non-executive director	Resign. Mr. Chiu Chi Cheong, Clifton resigned from the position as a non-executive director of the Company and a member of the audit committee and the remuneration committee of the Board on 9 March 2016.	Personal career arrangement
SHI Xian Liang	Independent non-executive director	Resign. The resignation of Mr. Shi Xian Liang from the position of independent non-executive director of the Company and the chairman of the remuneration committee and the nomination committee of the Board was effective after a new non-executive independent Director of the Board had been elected at the general meeting of the Company on 24 June 2016.	Work arrangement
CHEN Tao	Independent non-executive director	Newly appointed. Mr. Chen Tao was appointed as an independent non-executive director of the seventh session of the Board of the Company by the general meeting on 24 June 2016, while the Board of the Company appointed Mr. Chen as the chairman of the remuneration committee and the nomination committee of the Board with a term of office from 24 June 2016 to 31 December 2017.	Elected at the General Meeting/Approved by the Board
FANG Jie	Staff representative supervisor	Resign. Mr. Fang Jie has resigned from the position as the staff representative supervisor of the Company since 4 January 2016.	Personal affairs
XIN Jian	Staff representative supervisor	Newly appointed. Mr. Xin Jian has been elected as staff representative Supervisor at the staff representatives' meeting of the Company on 4 January 2016, with a term of office from 4 January 2016 to 31 December 2017.	Elected at the staff representatives' meeting
LUO Kun	Secretary of the Board/ Joint company secretaries of the Company	Appointed. Mr. Luo Kun was appointed as the secretary of the Board and the joint company secretaries of the Company on 29 January 2016, with the a of office from 29 January 2016 to 28 January 2019.	Appointed by the Board of the Company

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

Mr. Li Jing Qi, a non-executive Director, has resigned from the position as an executive director and the chief executive officer of the Shenzhen International Holdings Limited since 8 June 2016.

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

### 1. The Changes in Shareholding

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

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

As at 30 June 2016, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including deemed interests and short positions under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

*Long positions in ordinary shares of Shenzhen International:*

Name	Number of ordinary shares held as at 30 June 2016	Change during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	120,716	+5,024	0.01%	Personal	Beneficial owner
Li Jing Qi	902,214	+37,374	0.05%	Personal	Beneficial owner
Tse Yat Hong	1,481,674	+481,674	0.07%	Personal	Beneficial owner

*Interests in share option of Shenzhen International:*

Name	Share option unexercised as at 30 June 2016 <sup>(1)</sup>	Change during the Period	Nature of Interests	Capacity
Hu Wei	1,050,000	—	Personal	Beneficial owner
Wang Zeng Jin	400,000	—	Personal	Beneficial owner
Li Jing Qi	1,330,000	—	Personal	Beneficial owner
Zhao Jun Rong	1,050,000	—	Personal	Beneficial owner
Tse Yat Hong	630,000	-420,000 <sup>(2)</sup>	Personal	Beneficial owner
Zhong Shan Qun	1,050,000	—	Personal	Beneficial owner

Note:

(1) These additional share options were granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the grant provision, with the exercise price HK\$10.40 per share.

(2) These share options were exercised by Mr. Tse Yat Hong, a Director, during the Reporting Period.

Saved as disclosed above, as at 30 June 2016, none of the Directors, the Supervisors or the Chief Executive had interests or short positions defined above.

## Directors, Supervisors, Senior Management

### 3. Model Code for Securities Transactions by Directors and Supervisors

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

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

# Interim Financial Statements

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## Consolidated Balance Sheet

As at 30 June 2016

(All amounts in RMB unless otherwise stated)

Item	Note	30 June 2016	31 December 2015
<b>Current assets</b>			
Cash at bank and on hand	V.1	3,460,406,412.11	6,422,377,830.89
Accounts receivable	V.2	671,974,765.67	659,832,794.56
Notes receivable		300,000.00	–
Advances to suppliers	V.3	252,720,081.73	242,115,831.87
Dividends receivable	V.4	38,200,000.00	–
Interest receivable		8,841,518.49	959,220.83
Other receivables	V.5	246,630,813.24	123,461,626.41
Inventories	V.6	746,372,120.16	648,713,256.36
Held for sale assets		–	169,004,404.40
Current portion of non-current assets	V.7	94,285,378.14	139,082,269.66
Other current assets	V.8	919,511,263.32	18,879,520.24
<b>Total current assets</b>		<b>6,439,242,352.86</b>	<b>8,424,426,755.22</b>
<b>Non-current assets</b>			
Long-term prepayments		4,687,810.00	6,850,959.00
Available-for-sale financial assets	V.9	43,490,000.00	30,170,000.00
Long-term receivable	V.10	72,600,539.89	68,710,261.56
Long-term equity investments	V.11	4,589,341,897.09	1,982,890,024.59
Investment properties		13,814,275.00	14,102,125.00
Fixed assets	V.12	1,086,488,179.56	1,156,211,660.69
Construction in progress	V.13	33,068,644.09	29,456,086.42
Intangible assets	V.14	18,789,045,190.54	19,271,775,774.01
Goodwill		1,543,560.21	1,543,560.21
Long-term prepaid expenses		13,920,782.68	10,980,369.76
Deferred tax assets	V.15	75,480,847.10	77,617,511.95
Other non-current assets	V.16	–	595,920,000.00
<b>Total non-current assets</b>		<b>24,723,481,726.16</b>	<b>23,246,228,333.19</b>
<b>Total assets</b>		<b>31,162,724,079.02</b>	<b>31,670,655,088.41</b>
<b>Current liabilities</b>			
Accounts payable	V.17	175,829,339.36	182,023,959.15
Advances from customers	V.18	364,236,817.97	232,847,835.82
Employee benefits payable	V.19	42,935,430.79	154,056,117.83
Taxes payable	V.20	170,048,502.92	258,044,934.34
Interest payable	V.21	170,113,172.34	118,790,435.51
Dividends payable	V.22	233,346,265.14	–
Other payables	V.23	879,119,848.84	1,325,053,997.31
Current portion of non-current liabilities	V.24	3,089,644,861.21	1,836,240,879.39
Deferred revenue	V.28	2,768,402.45	3,464,972.66
<b>Total current liabilities</b>		<b>5,128,042,641.02</b>	<b>4,110,523,132.01</b>
<b>Non-current liabilities</b>			
Long-term borrowings	V.25	1,832,624,000.00	2,201,928,764.00
Bonds payable	V.26	1,693,471,369.32	2,690,329,788.48
Provisions	V.27	125,172,657.71	125,239,600.71
Deferred revenue	V.28	168,348,070.32	174,680,489.68
Deferred tax liabilities	V.15	1,296,933,986.89	1,339,812,592.32
Other non-current liabilities	V.29	6,087,928,140.32	6,067,060,199.11
<b>Total non-current liabilities</b>		<b>11,204,478,224.56</b>	<b>12,599,051,434.30</b>
<b>Total liabilities</b>		<b>16,332,520,865.58</b>	<b>16,709,574,566.31</b>



Item	Note	30 June 2016	31 December 2015
<b>Owners' equity</b>			
Share capital	V.30	<b>2,180,770,326.00</b>	2,180,770,326.00
Capital surplus	V.31	<b>2,274,351,523.42</b>	2,274,351,523.42
Other comprehensive income	V.32	<b>893,853,039.16</b>	893,605,520.32
Surplus reserve	V.33	<b>1,915,883,968.12</b>	1,915,883,968.12
Undistributed profits	V.34	<b>4,977,723,732.04</b>	5,104,281,635.31
<b>Total equity attributable to owners of the Company</b>		<b>12,242,582,588.74</b>	12,368,892,973.17
Minority interests	VII.1(2)	<b>2,587,620,624.70</b>	2,592,187,548.93
<b>Total owners' equity</b>		<b>14,830,203,213.44</b>	14,961,080,522.10
<b>Total liabilities and owners' equity</b>		<b>31,162,724,079.02</b>	31,670,655,088.41

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

Legal representative: **Hu Wei**    Chief Financial Officer: **Gong Taotao**    Head of accounting department: **Sun Bin**

## Balance Sheet

As at 30 June 2016

(All amounts in RMB unless otherwise stated)

Item	Note	30 June 2016	31 December 2015
<b>Current assets</b>			
Cash at bank and on hand		2,377,939,420.20	4,888,439,240.81
Accounts receivable	XIV.1	492,948,618.06	495,255,623.24
Advances to suppliers		4,562,772.37	6,985,783.71
Interest receivable		9,350,678.88	956,785.27
Dividends receivable		39,575,925.30	80,000,000.00
Other receivables	XIV.2	901,949,417.94	1,269,557,969.42
Inventories		1,322,450.81	1,952,913.31
Other current assets		750,000,000.00	–
<b>Total current assets</b>		<b>4,577,649,283.56</b>	<b>6,743,148,315.76</b>
<b>Non-current assets</b>			
Long-term prepayments		3,329,760.00	3,329,760.00
Available-for-sale financial assets		43,490,000.00	30,170,000.00
Long-term receivables		4,063,413,368.31	3,112,019,232.87
Long-term equity investments	XIV.3	9,239,633,149.27	6,721,818,997.37
Investment properties		13,814,275.00	14,102,125.00
Fixed assets		473,597,103.63	508,597,421.41
Construction in progress		5,290,787.19	4,008,899.94
Intangible assets		4,222,633,302.89	4,327,665,068.64
Long-term prepaid expenses		581,725.49	2,871,534.84
Deferred tax assets		41,197,382.75	41,792,784.92
Other non-current assets		–	595,920,000.00
<b>Total non-current assets</b>		<b>18,106,980,854.53</b>	<b>15,362,295,824.99</b>
<b>Total assets</b>		<b>22,684,630,138.09</b>	<b>22,105,444,140.75</b>
<b>Current liabilities</b>			
Short-term borrowings		120,000,000.00	120,000,000.00
Accounts payable		20,779,957.42	22,230,271.50
Advances from customers		69,459,192.11	1,583,333.37
Employee benefits payable		14,367,158.84	57,554,501.48
Taxes payable		74,126,947.69	42,852,641.21
Interest payable		171,805,889.98	111,110,863.10
Dividends payable		228,989,168.35	–
Other payables		1,342,002,775.94	1,367,946,083.86
Current portion of non-current liabilities		2,988,694,662.10	1,567,040,879.39
<b>Total current liabilities</b>		<b>5,030,225,752.43</b>	<b>3,290,318,573.91</b>
<b>Non-current liabilities</b>			
Bonds payable		1,697,535,970.83	2,694,728,466.81
Provisions		125,172,657.71	125,239,600.71
Other non-current liabilities		6,087,928,140.32	6,065,310,000.00
<b>Total non-current liabilities</b>		<b>7,910,636,768.86</b>	<b>8,885,278,067.52</b>
<b>Total liabilities</b>		<b>12,940,862,521.29</b>	<b>12,175,596,641.43</b>
<b>Owners' equity</b>			
Share capital	V.30	2,180,770,326.00	2,180,770,326.00
Capital surplus		2,315,587,934.74	2,315,587,934.74
Surplus reserve	V.33	1,915,883,968.12	1,915,883,968.12
Undistributed profits		3,331,525,387.94	3,517,605,270.46
<b>Total owners' equity</b>		<b>9,743,767,616.80</b>	<b>9,929,847,499.32</b>
<b>Total liabilities and owners' equity</b>		<b>22,684,630,138.09</b>	<b>22,105,444,140.75</b>

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

Legal representative: **Hu Wei**Chief Financial Officer: **Gong Taotao**Head of accounting department: **Sun Bin**

## Consolidated Income Statement

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
<b>1. Total Revenue</b>		<b>2,063,128,149.44</b>	1,499,617,982.44
Including: Revenue from services	V.35	<b>2,063,128,149.44</b>	1,499,617,982.44
<b>2. Total costs</b>		<b>1,426,905,382.67</b>	934,233,500.08
Including: Cost of services	V.35	<b>1,067,038,639.78</b>	682,866,364.67
Business tax and surcharges	V.36	<b>40,845,429.00</b>	51,991,919.17
Selling expenses		<b>6,941,373.06</b>	7,008,343.84
General and administrative expenses	V.37	<b>41,324,364.77</b>	29,778,014.46
Financial expenses	V.38	<b>270,755,576.06</b>	162,588,857.94
Add: Investment income	V.39	<b>227,355,246.32</b>	136,619,965.68
Including: Share of profit of associates and joint ventures		<b>120,705,347.44</b>	133,619,965.68
<b>3. Operating profits</b>		<b>863,578,013.09</b>	702,004,448.04
Add: Non-operating income	V.40	<b>1,354,343.99</b>	1,051,399.45
Including: Gains on disposal of non-current assets		<b>8,707.84</b>	841,047.50
Less: Non-operating expenses	V.41	<b>601,336.94</b>	1,711,661.73
Including: Losses on disposal of non-current assets		<b>68,755.14</b>	1,709,823.59
<b>4. Total profit</b>		<b>864,331,020.14</b>	701,344,185.76
Less: Income tax expenses	V.42	<b>170,590,380.43</b>	140,027,602.79
<b>5. Net profit</b>		<b>693,740,639.71</b>	561,316,582.97
Net profit attributable to owners of the Company		<b>614,904,007.57</b>	538,958,774.43
Minority interests	VII.1(2)	<b>78,836,632.14</b>	22,357,808.54
<b>6. Other comprehensive income after tax</b>		<b>247,518.84</b>	–
Item that may be reclassified subsequently to profit and loss		<b>247,518.84</b>	–
Including: Foreign exchange gain/loss		<b>247,518.84</b>	–
<b>7. Total comprehensive income</b>		<b>693,988,158.55</b>	561,316,582.97
Total comprehensive income attributable to owners of the company		<b>615,151,526.41</b>	538,958,774.43
Total comprehensive income attributable to minority interest		<b>78,836,632.14</b>	22,357,808.54
<b>8. Earnings per share</b>			
Basic earnings per share (RMB/share)	V.47(1)	<b>0.282</b>	0.247
Diluted earnings per share (RMB/share)	V.47(1)	<b>0.282</b>	0.247

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Income Statement

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
<b>1. Total Revenue</b>		<b>711,010,749.32</b>	597,690,238.14
Including: Revenue from services	XIV.4	<b>711,010,749.32</b>	597,690,238.14
<b>2. Total costs</b>		<b>441,423,218.57</b>	342,701,990.20
Including: Cost of services	XIV.4	<b>282,093,279.26</b>	222,984,754.78
Business tax and surcharges		<b>7,925,611.92</b>	21,068,536.81
General and administrative expenses		<b>26,112,051.69</b>	24,770,893.41
Financial expenses		<b>125,292,275.70</b>	73,877,805.20
Add: Investment income	XIV.5	<b>355,169,309.87</b>	320,625,840.38
Including: Share of profit of associates and joint ventures		<b>121,200,736.87</b>	133,619,965.68
<b>3. Operating profit</b>		<b>624,756,840.62</b>	575,614,088.32
Add: Non-operating income		<b>608,431.78</b>	102,540.50
Including: Gains on disposal of non-current assets		–	14,600.00
Less: Non-operating expenses		<b>31,342.04</b>	1,329,163.54
Including: Losses on disposal of non-current assets		<b>20,932.69</b>	1,329,058.33
<b>4. Total profit</b>		<b>625,333,930.36</b>	574,387,465.28
Less: Income tax expenses		<b>69,951,902.04</b>	62,362,114.43
<b>5. Net profit</b>		<b>555,382,028.32</b>	512,025,350.85
<b>6. Other comprehensive income</b>		–	–
<b>7. Total comprehensive income</b>		<b>555,382,028.32</b>	512,025,350.85

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Consolidated Cash Flow Statement

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
<b>1. Cash flows from operating activities:</b>			
Cash received from rendering services		2,007,262,720.56	1,590,782,202.05
Refund of taxes		64,832.36	122,411.45
Cash received relating to other operating activities	V.43(1)	62,100,025.90	111,524,716.86
<b>Sub-total of cash inflows</b>		<b>2,069,427,578.82</b>	<b>1,702,429,330.36</b>
Cash paid for goods and services		228,075,940.92	188,945,456.56
Cash paid to and on behalf of employees		307,559,534.13	186,619,424.82
Payments of taxes and surcharges		387,357,956.74	639,284,589.06
Cash paid relating to other operating activities	V.43(2)	242,326,098.43	288,191,047.77
<b>Sub-total of cash outflows</b>		<b>1,165,319,530.22</b>	<b>1,303,040,518.21</b>
<b>Net cash flows from operating activities</b>		<b>904,108,048.60</b>	<b>399,388,812.15</b>
<b>2. Cash flows from investing activities</b>			
Cash received from recovery of investments		29,900,821.97	8,748,443.15
Cash received from returns on investments		90,865,705.77	78,659,311.08
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		10,031.95	23,760.00
Cash received from disposal of subsidiaries and other business units	V.43(3)	69,286,667.78	3,000,000.00
Cash received relating to other investing activities	V.43(4)	1,506,033,652.63	11,969,941.52
<b>Sub-total of cash inflows</b>		<b>1,696,096,880.10</b>	<b>102,401,455.75</b>
Cash paid to acquire fixed assets and other long-term assets		75,821,230.59	66,947,001.98
Net cash paid to acquire subsidiaries and other business units	V.43(5)	1,998,260,000.00	524,300,000.00
Cash paid relating to other investing activities	V.43(6)	2,351,300,000.00	6,179,073.80
<b>Sub-total of cash outflows</b>		<b>4,425,381,230.59</b>	<b>597,426,075.78</b>
<b>Net cash flows from investing activities</b>		<b>-2,729,284,350.49</b>	<b>-495,024,620.03</b>
<b>3. Cash flows from financing activities</b>			
Cash received from borrowings		11,000,000.00	810,000,000.00
<b>Sub-total of cash inflows</b>		<b>11,000,000.00</b>	<b>810,000,000.00</b>
Cash repayments of borrowings		550,304,764.00	36,067,000.00
Cash payments for interest expenses and distribution of dividends or profits		691,876,622.87	907,999,379.14
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		67,275,058.91	55,196,428.52
Cash payments relating to other financing activities		89,334.92	107,895.79
<b>Sub-total of cash outflows</b>		<b>1,242,270,721.79</b>	<b>944,174,274.93</b>
<b>Net cash flows from financing activities</b>		<b>-1,231,270,721.79</b>	<b>-134,174,274.93</b>
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>74,133.17</b>	<b>-411,306.23</b>
<b>5. Net increase/(decrease) in cash</b>		<b>-3,056,372,890.51</b>	<b>-230,221,389.04</b>
Add: Cash at beginning of period		6,180,992,066.06	1,255,154,897.37
<b>6. Cash at end of period</b>		<b>3,124,619,175.55</b>	<b>1,024,933,508.33</b>

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Cash Flow Statement

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

Item	Note	For the six months ended 30 June 2016	For the six months ended 30 June 2015
<b>1. Cash flows from operating activities</b>			
Cash received from rendering services		543,103,711.68	634,797,667.32
Cash received relating to other operating activities		566,215,324.52	287,866,917.74
<b>Sub-total of cash inflows</b>		<b>1,109,319,036.20</b>	922,664,585.06
Cash paid for goods and services		43,746,155.13	78,380,240.23
Cash paid to and on behalf of employees		114,555,156.13	101,543,686.16
Payments of taxes and surcharges		68,592,373.20	90,732,741.24
Cash paid relating to other operating activities		327,203,605.20	403,343,743.31
<b>Sub-total of cash outflows</b>		<b>554,097,289.66</b>	674,000,410.94
<b>Net cash flows from operating activities</b>		<b>555,221,746.54</b>	248,664,174.12
<b>2. Cash flows from investing activities</b>			
Cash received from recovery of investments		76,768,002.59	57,507,752.78
Cash received from returns on investments		366,892,748.16	262,665,185.66
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	14,600.00
Cash received relating to other investing activities		1,311,851,950.68	222,800,557.88
<b>Sub-total of cash inflows</b>		<b>1,755,512,701.43</b>	542,988,096.32
Cash paid to acquire fixed assets and other long-term assets		13,591,244.31	14,029,761.77
Net cash paid to acquire subsidiaries and other business units		1,978,260,000.00	524,300,000.00
Cash paid relating to other investing activities		2,272,000,000.00	203,324,780.00
<b>Sub-total of cash outflows</b>		<b>4,263,851,244.31</b>	741,654,541.77
<b>Net cash flows from investing activities</b>		<b>-2,508,338,542.88</b>	-198,666,445.45
<b>3. Cash flows from financing activities</b>			
Cash received from borrowings		–	810,000,000.00
<b>Sub-total of cash inflows</b>		–	810,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		567,475,492.49	735,589,654.30
Cash payments relating to other financing activities		52,288.33	33,005.27
<b>Sub-total of cash outflows</b>		<b>567,527,780.82</b>	735,622,659.57
<b>Net cash flows from financing activities</b>		<b>-567,527,780.82</b>	74,377,340.43
<b>4. Effect of foreign exchange rate changes on cash</b>		<b>2,828.66</b>	-2,836.01
<b>5. Net increase/(decrease) in cash</b>		<b>-2,520,641,748.50</b>	124,372,233.09
Add: Cash at beginning of period		4,856,442,761.18	605,631,016.66
<b>6. Cash at end of period</b>		<b>2,335,801,012.68</b>	730,003,249.75

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Consolidated Statement of Changes in Owners' Equity

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2016						
	Attributable to owners of the Company						
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Minority interests	Total owners' equity
1. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	2,592,187,548.93	14,961,080,522.10
2. Movements for the period ended 30 June 2016	-	-	247,518.84	-	-126,557,903.27	-4,566,924.23	-130,877,308.66
(1) Total comprehensive income	-	-	247,518.84	-	614,904,007.57	78,836,632.14	693,988,158.55
Net profit	-	-	-	-	614,904,007.57	78,836,632.14	693,740,639.71
Other comprehensive income	-	-	247,518.84	-	-	-	247,518.84
(2) Profit distribution (Note V.34)	-	-	-	-	-741,461,910.84	-83,403,556.37	-824,865,467.21
Profit distribution to equity owners	-	-	-	-	-741,461,910.84	-83,403,556.37	-824,865,467.21
3. Ending balance on 30 June 2016	2,180,770,326.00	2,274,351,523.42	893,853,039.16	1,915,883,968.12	4,977,723,732.04	2,587,620,624.70	14,830,203,213.44

Item	For the six months ended 30 June 2015						
	Attributable to owners of the Company						
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Minority interests	Total owners' equity
1. Ending balance on 31 December 2014	2,180,770,326.00	2,274,351,523.42	893,604,159.01	1,884,591,029.74	4,564,264,823.15	1,322,590,733.82	13,120,172,595.14
2. Movements for the period ended 30 June 2015	-	-	-	-	-442,387,872.27	-4,213,073.39	-446,600,945.66
(1) Total comprehensive income	-	-	-	-	538,958,774.43	22,357,808.54	561,316,582.97
Net profit	-	-	-	-	538,958,774.43	22,357,808.54	561,316,582.97
(2) Profit distribution	-	-	-	-	-981,346,646.70	-26,570,881.93	-1,007,917,528.63
Profit distribution to equity owners	-	-	-	-	-981,346,646.70	-26,570,881.93	-1,007,917,528.63
3. Ending balance on 30 June 2015	2,180,770,326.00	2,274,351,523.42	893,604,159.01	1,884,591,029.74	4,121,876,950.88	1,318,377,660.43	12,673,571,649.48

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

## Statement of Changes in Owners' Equity

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

Item	For the six months ended 30 June 2016				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's equity
1. Opening balance on 1 January 2016	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32
2. Movements for the period ended 30 June 2016	-	-	-	-186,079,882.52	-186,079,882.52
(1) Total comprehensive income	-	-	-	555,382,028.32	555,382,028.32
Net profit	-	-	-	555,382,028.32	555,382,028.32
(2) Profit distribution (Note V.34)	-	-	-	-741,461,910.84	-741,461,910.84
Profit distribution to equity owners	-	-	-	-741,461,910.84	-741,461,910.84
3. Ending balance on 30 June 2016	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,331,525,387.94	9,743,767,616.80

Item	For the six months ended 30 June 2015				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's equity
1. Opening balance on 1 January 2015	2,180,770,326.00	2,315,587,934.74	1,884,591,029.74	4,217,315,471.69	10,598,264,762.17
2. Movements for the period ended 30 June 2015	-	-	-	-469,321,295.85	-469,321,295.85
(1) Total comprehensive income	-	-	-	512,025,350.85	512,025,350.85
Net profit	-	-	-	512,025,350.85	512,025,350.85
(2) Profit distribution	-	-	-	-981,346,646.70	-981,346,646.70
Profit distribution to equity owners	-	-	-	-981,346,646.70	-981,346,646.70
3. Ending balance on 30 June 2015	2,180,770,326.00	2,315,587,934.74	1,884,591,029.74	3,747,994,175.84	10,128,943,466.32

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**



# Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

## I. GENERAL INFORMATION

### 1. General information of the Company

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

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

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

### 2. The consolidation scope

The detailed information of principal subsidiaries consolidated during the period ended 30 June 2016 is disclosed in Note VII.1. The detailed information of consolidated financial statements changes during the period ended 30 June 2016 is disclosed in Note VI.

These financial statements have been approved for issue by the Company's Board of Directors on 19 August 2016.

## II. THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

### 1. Basis of preparation

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

### 2. Going concern

The financial statements are prepared on a going concern basis.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates abstracts:

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

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

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

The financial statements for the six months ended 30 June 2016 are in compliance with the Chinese Accounting Standards, and truly and completely present the state of affairs as of 30 June 2016 and the operating results, cash flows and other information for the six months ended 30 June 2016 of the Group and the Company.

#### 2. Accounting period

The accounting year starts on 1 January 2016 and ends on 30 June 2016.

#### 3. Operating cycle

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

#### 4. Functional currency

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

#### 5. Business combination

Business combination is the activity that combining two or more individual businesses into one reporting body. Business combination can be either involving enterprises under common control or involving enterprises not under common control.

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

Businesses involved in the combination will be controlled ultimately by the same or multi parties before and after the combination. This will be a non-temporary control and defined as a business combination involving enterprises under common control. During business combinations involving enterprises under common control, the party that obtained control of the other businesses at the date of combination defined as the absorbing party, the other businesses involving the business combination are defined as parties being absorbed. The combination date is when the absorbing party actually obtained control of the party being absorbed.

The assets and liabilities, including the goodwill arose from the ultimate controlling party acquired the absorbed party, obtained by the absorbing party under the business combinations involving enterprises under common control, measured as the carrying amounts at the financial reports of the ultimate controlling party. The difference between the carrying amount of the net assets that the absorbing party obtained and the carrying amount of the consideration paid for the combination (or the total amount of the share issued face value) 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.

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

#### 5. Business combination (continued)

##### (2) The accounting treatment of 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 year. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially 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. The portion of a subsidiary's equity and the portion of a subsidiary's net profit and losses for the period as well as comprehensive income not attributable to Company are recognised as minority interests, net profit and losses attributable to minority interests as well as and comprehensive income attributable to minority interests presented separately in the consolidated financial statements within equity and net profit as well as total comprehensive income respectively. The unrealised profit and losses arising from sales of assets to subsidiaries by the Company are fully eliminated against net profit attributable to owners of the Company. The unrealised profit and losses arising from sales of assets to the Company by subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' shareholding on the subsidiaries. The unrealised profit and losses arising from sales of between subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' share holdings on the subsidiary who sold.

The difference on recognising a same transaction between on the accounting subjects of the Group and of the Company or its subsidiaries would be adjusted on the accounting subject of the Group.

#### 7. The recognition of 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.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

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

#### 8. Foreign currency transaction 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

##### (1) Financial assets

###### (a) *Classification of financial assets*

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

###### Receivables

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

###### Available-for-sale financial assets

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

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

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

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

#### 9. Financial instruments (continued)

##### (1) Financial assets (continued)

###### (c) *Impairment of financial assets*

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

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

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss. When an impairment loss on an available-for-sale financial asset has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows determined according to the market yield of similar financial assets and recognised in profit or loss. Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

###### (d) *Derecognition of financial assets*

A financial 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; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

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

##### (2) Financial liabilities

###### (a) *Classification of financial liabilities*

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

## Notes to Financial Statements

For the period ended 30 June 2016

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

#### 9. Financial instruments (continued)

##### (2) Financial liabilities (continued)

###### (b) Recognition and measurement

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

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

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

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

##### (3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. Valuation techniques include using prices of recent market transactions between knowledgeable and willing parties, reference to the current fair value of another financial asset that is substantially the same with this instrument, and discounted cash flow analysis and Option pricing model. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs. In case the relevant observable inputs cannot/inpracticably obtained, the unobservable inputs would be used.

#### 10. Receivables

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

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

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

The criterion applied to individually significant balances

For accounts receivable, any individual amount exceeds RMB5,000,000.00 is considered to be 'individually significant'; for other receivables, the criteria is any individual amount which exceeds RMB1,000,000.00.

Bad debt provision for receivables that are individually significant

Bad debt provision is made for the difference between the carrying amount and the present value of the estimated cash flows.

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

#### 10. Receivables (continued)

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

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

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

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

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

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

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

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

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

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

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

#### 11. Inventories

##### (1) Classification

Inventories include purchased land to be developed including related tax charges and development costs, 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.

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

##### (2) Costing of inventories

The cost of purchased land to be developed is determined using specific identification method. The toll tickets, low value consumables, maintenance and repair parts and materials in stock's costs are determined using the weighted average method.

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

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

Inventory system adopts the Perpetual Inventory Systems.

#### 12. Held for sale

A non-current asset or a disposal group satisfying the following conditions is classified as held for sale: (1) The non-current asset or disposal group can be disposed immediately according to the customary provisions provided for the disposal of such non-current asset or disposal group; (2) the Group has made a resolution for disposal of the non-current asset or disposal group which has been approved; (3) an irrevocable contract with the transferee has been signed and; (4) the transfer will be completed within one year.

Non-current assets, except for financial assets and deferred tax assets that meet the recognition criteria for held for sale are measured at the amount equal to the lower of the fair value less costs to sell and the carrying amount. Any excess of the original carrying amount over the fair value less costs to sell is recognised as an asset impairment loss.

Asset and liability included in the non-current asset or disposal group that has been classified as held for sale are categorised as current asset and current liability.



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

#### 13. Long-term equity investments

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

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

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

##### (1) Determination of investment costs

For long-term equity investments acquired through a business combination: for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs. 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. The difference between the initial cost of investment and the carrying amount of the consideration paid should adjust the additional paid-in capital (If the additional paid-in capital is not sufficient to be offset, the retained earnings shall be adjusted.); The accounting treatment of other comprehensive income before the combination date should be on the same basis as the invested entity directly dispose of related assets and liabilities when disposing of this investment. Owners' equity, which confirmed by the movement of other owners' equity of the invested entity caused other than net profit or loss, other comprehensive income and distribution of profits, should be transferred to the current profit and loss. After the disposal, if it is still long-term equity investment, it should be carried forward by proportion; if it turns out to be financial instruments, it should be carried forward in full.

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.

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

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

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

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

#### 13. Long-term equity investments (continued)

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

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.

##### (3) Basis for determination of the existence of control, jointly control or significant influence over the investee

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

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

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

##### (4) Impairment of long-term equity investments

The 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 III.19).

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

#### 14. 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 life	Estimated residual value rate	Annual amortisation rate
Car parking spaces	30 years	–	3.33%

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

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

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

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

#### 15. Fixed assets

##### (1) Recognition and initial measurement of fixed assets

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

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

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

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

#### 15. Fixed assets (continued)

##### (2) Depreciation methods of fixed assets

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

Type	Depreciation method	Estimated useful lives (year)	Estimated residual value rate	Annual depreciation rate
Buildings				
– Office building	Straight-line	20-30 years	5%	3.17%-4.75%
– Temporary house	Straight-line	10 years	5%	9.50%
– Structure	Straight-line	15 years	5%	6.33%
Traffic equipment	Straight-line	8-10 years	5%	9.50%-11.87%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-19.00%
Office and other equipment	Straight-line	3-5 years	5%	19.00%-31.67%

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

##### (3) Impairment of fixed assets

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

##### (4) 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.

#### 16. 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 III.19).

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

#### 17. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time 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.

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.

#### 18. Intangible assets

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

##### (1) Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost, 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, and the costs of land use rights in relation to the concession right grant (if any). The concession intangible assets are initially stated at actual project costs or budget costs and then adjusted when project completion audit are finalised.

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

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

#### 18. Intangible assets (continued)

##### (1) Concession intangible assets (continued)

The Company assesses the total projected traffic volume annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material difference exists and likely to occur, or every 3 to 5 years and then prospectively adjust the amortisation unit according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortised in the operation periods.

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

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to April 2026 (Section A), July 2003 to July 2028 (Section B), March 2010 to March 2035 (Section C) (Note III.29)	4.49 (Note a)
Yanpai Expressway	May 2006 to March 2027 (Note III.29)	1.97 (Note a)
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to January 2033 (Note III.29)	4.71 (Note a)
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034 (Note III.29)	26.54 (Note a)
Shuiguan Expressway	March 2002 to January 2026	5.86

Note a: As stated in Note III.29 (1)(a), at the end of 2015, the Company appointed an independent professional traffic consultant to reassess the future traffic volumes of Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway and adjusted the unit usage of the aforesaid expressway from RMB3.98, RMB1.49, RMB4.22 and RMB25.19 to RMB4.49, RMB1.97, RMB4.71 and RMB26.54, respectively, from 1 January 2016.

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

##### (2) Other intangible assets

Billboard use rights are 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 5-10 years.

##### (3) Periodical review of useful life and amortisation method

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

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

#### 18. Intangible assets (continued)

##### (4) 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 III.19).

#### 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.

#### 20. Long-term prepaid expenses

Long-term prepaid expenses include the prepaid expenditures that have been made but should be recognised 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.

#### 21. Employee benefits

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

##### (1) Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds, employee education funds and short term paid absence and etc. 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.

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

#### 21. Employee benefits (continued)

##### (2) Accounting treatment of pension benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate fund and the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan that is not a defined contribution plan. During the reporting period, the Group's pension benefits are basic pension insurance and unemployment insurance which are all defined contribution plans.

##### (a) 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.

##### (b) Enterprise annuities plan

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

##### (3) Accounting treatment of termination benefits

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

#### 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.



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

#### 23. Revenue recognition

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

Revenue is 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:

- (1) The Group's toll revenue from the operations of toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.
- (2) For construction management services, when the outcome of the construction management services can be estimated reliably, construction management service 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.
- (3) Income from trusteeship services recognised on a straight-line basis over the contract period.
- (4) For the service concessions contracts entered with the government departments, according to which the Group participates in developing, financing, operating and maintenance of the toll road construction, the Group recognised null construction services income during the construction period because the Group sub-contract the work to other parties and not undertake the construction work on its own.
- (5) The Group's revenue from service like engineering consulting is recognised using the completion percentage method when the result of trade in services can be measured reliably. The completion percentage is determined by the measurement of work completed or the proportion of labor provided among the total labor or the proportion of cost provided among the total cost. As the result of trade in services can be measured reliably, if the labor cost provided can be offset, the amount of labor income is recognised according to the amount of labor cost provided and to carry forward the same amount of the labor cost. If the labor cost provided can not be offset, the labor cost provided will be recorded into the current profit and loss and the labor income will not be recognised.
- (6) Advertising revenue is recognised on a straight-line basis over the contract period.
- (7) 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.
- (8) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

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

#### 24. Government grants

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

A government grant is 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.

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

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 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 recognised immediately in profit or loss for the current period.

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

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

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred 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.

#### 25. 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.

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

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

Deferred tax assets and liabilities are offset when:

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

#### 26. Leases

Finance leases, which transfer to the Company substantially all the rewards and risks incidental to ownership of a leased item, in addition to operating lease.

##### (1) Operating leases

*As a lessee of operating leases*

Operating lease payments, net of any incentives received from the lessor, are recognised as an expense in the statement of profit or loss on a straight-line basis over the lease terms. Total contingent rents recognised as expense or income in the period.

*As a lessor of operating leases*

Rentals receivable under the operating leases are credited to the statement of profit or loss on the straight-line basis over the lease terms. Total contingent rents recognised as expense or income in the period.

##### (2) Finance leases

*As a lessee of Finance leases*

Finance leases are capitalised at the inception of the lease at the fair value of the leased item, or if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction in the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are expensed through the statement of profit or loss. Total contingent rents recognised as expense or income in the period.

#### 27. Dividends distribution

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

#### 28. Other significant accounting policies and accounting estimates

##### Segment information

The Group identifies operating segments based on the internal organisation 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.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

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

#### 29. Changes of significant accounting policies and accounting estimates

##### (1) Changes of significant accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Note (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of the concession intangible assets	Approved by the Board of Directors of the Company on 29 January 2016.	1 January 2016	(a)

##### (a) *Changes in accounting estimates of unit usage of concession intangible assets*

Since the actual traffic volumes of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway largely differed from the traffic volume forecasts as a result of the surrounding highway networks of these expressways have become more and more stable recently, the difference between the actual traffic volume and the previous traffic volumes is expected to continue. In the fourth quarter of 2015, the Company appointed an independent professional traffic consultant to reassess the future traffic volume of the aforesaid expressways. According to the revised projected result, the Board of Directors of the Company approved the change in accounting estimates of unit usage of intangible assets arising from the concession rights of the aforesaid expressways on 29 January 2016. The Board of Directors of the Company approved to adjust the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 January 2016 on a prospective basis. Such change in accounting estimates impacts the financial statement items for the six months ended 30 June 2016 as follows:

	Impact amount
Decrease in intangible assets	17,523,909.23
Decrease in deferred income tax liabilities	1,229,077.25
Decrease in taxes payable	3,336,358.69
Increase in cost of services	17,523,909.23
Decrease in income tax expenses	4,565,435.94
Decrease in net profit attributable to owners of the Company	11,998,558.44

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of the above aforesaid expressways to a certain extent.

#### 30. Others

Critical accounting estimates and judgments:

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

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

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

#### 30. Others (continued)

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

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

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

If the total investment top limit and project costs as well as the actual construction management services costs is different from management's current estimates, the construction management services income and costs will be changed prospectively.

##### (2) Amortisation of concession intangible assets

As stated at Note III.18(1), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the amortisation of concession intangible assets will be made when there 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, 2013, 2014 and 2015 and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

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

##### (3) Provisions for maintenance/resurfacing obligations

As stated at Note III.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.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

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

#### 30. Others (continued)

##### (4) 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.

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

During the year 2015 the Group acquired additional 10% equity interests in Qinglong Company by acquiring 100% equity interests in Fameluxe Company at a preliminary cash consideration of RMB280 million. After completion of the transaction, the Company will directly and indirectly hold an aggregate of 50% equity interests of Qinglong Company.

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

As at 30 June 2016, the aforesaid adjustment agreement is not yet entered into and the relevant government authorities had not response to grant the approval for the extension application of Shuiguan Expressway. If condition change in the late 2016, it will affect the consideration adjustment in purchase.

##### (6) Impairment of concession intangible assets

To measure the impairment of the concession intangible assets should be considered its estimated recoverable amount.

During impairment tests of the concession intangible assets, the management of the company had calculated the future cash flow of the toll roads and determined the recoverable amount. The key assumptions of this calculation included the estimated growth rate of the traffic volume, the standard of toll road fees, operating period, maintenance cost and required rate of return. After the comprehensive examination which proceeded under the previous assumptions, the Group's management considered that concession intangible asset has a higher recoverable amount than the carrying amount, the impairment of concession intangible asset is not necessary during current period. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

## IV. TAXATION

### 1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value added tax	Taxable advertisement income, Construction consulting service income, entrusted operation management income	6%
Value added tax	Real estate development income and Real estate operating lease income	5%
Value added tax	Revenue from expressway toll road business (from May 1, 2016)	3%
Business tax	Revenue from expressway toll road business (from January 1, 2016 to April 30, 2016)	3%
Business tax	Revenue from businesses other than expressway toll road (from January 1, 2016 to April 30, 2016)	5%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ('CIT')	Taxable income	Except companies as follow, 25%

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

The Company	Applicable tax rate
Shenzhen highway engineering detection Co., LTD (1)	15%
Fameluxe investment (2)	16.5%
Shenzhen Expressway Finance I Limited (3)	N/A

- (1) Testing Company was reviewed and determined as national high and new tech enterprises by Science and Technology Bureau of Shenzhen respectively in 2015, respectively. In accordance with requirements of the Administrative Measures for Determination of High and New Tech Enterprises ("Guo Ke Fa (2008) No. 172") and Corporate Income Tax Law and the accompanying Implementation, Testing Company was entitled to the preferential corporate income tax at the rates of 15% for 3 years as from 2015.
- (2) Fameluxe Company is incorporated in Hongkong with the applicable income tax rate of 16.5%.
- (3) Shenzhen Expressway Finance I Limited is incorporated in British Virgin Islands, where the company is exempt from cooperate income tax.

### 2. Tax preference

Please refer to Note IV.1. for details.

### 3. Others

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 period ended 30 June 2016

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### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash at bank and on hand

Item	30 June 2016	31 December 2015
Cash on hand	<b>13,092,216.39</b>	12,730,782.03
Bank deposits	<b>3,447,314,195.72</b>	6,409,647,048.86
<b>Total</b>	<b>3,460,406,412.11</b>	6,422,377,830.89
Including: cash abroad	<b>118,211,038.02</b>	75,887,597.04

The Company is engaged to manage highway construction projects. As at 30 June 2016, project funds retained for construction management were RMB335,787,236.56 (31 December 2015: RMB241,385,764.83). Cash on hand amounts was RMB69,175.96, and bank deposits were RMB335,718,061.50. The above project funds retained for construction management and frozen bank balances(if any) were disclosed as restricted bank balances in the cash flow statement (Note V.44(2)).

#### 2. Accounts receivable

##### (1) Accounts receivable are analysed by categories as follows:

Category	30 June 2016					31 December 2015				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book value	Amount	% of total balance	Amount	% of total balance	Book value
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Provision assessed collectively	<b>671,974,765.67</b>	<b>100.00</b>	-	-	<b>671,974,765.67</b>	659,832,794.56	100.00	-	-	659,832,794.56
Group 1	<b>535,310,508.74</b>	<b>79.66</b>	-	-	<b>535,310,508.74</b>	497,600,067.69	75.41	-	-	497,600,067.69
Group 2	<b>136,664,256.93</b>	<b>20.34</b>	-	-	<b>136,664,256.93</b>	162,232,726.87	24.59	-	-	162,232,726.87
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>671,974,765.67</b>	/	-	/	<b>671,974,765.67</b>	659,832,794.56	/	-	/	659,832,794.56

Accounts receivable in group 2 of which provision was made collectively using aging analysis method is analysed as follows:

Aging	30 June 2016		
	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	<b>133,302,120.28</b>	-	-
1 to 2 years	<b>2,437,121.44</b>	-	-
2 to 3 years	<b>925,015.21</b>	-	-
<b>Total</b>	<b>136,664,256.93</b>	-	-



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable (continued)

(2) The five largest accounts receivable assembled by debtors

	Balance	Provision for bad debts	% of total balance
Total balances due from the five largest accounts receivables assemble	520,971,586.56	–	77.53%

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

	30 June 2016	31 December 2015
Within 1 year	211,031,174.74	228,924,786.90
1 to 2 years	67,899,340.28	277,638,044.71
2 to 3 years	261,194,650.22	101,370,814.82
Over 3 years	131,849,600.43	51,899,148.13
<b>Total</b>	<b>671,974,765.67</b>	<b>659,832,794.56</b>

3. Advances to suppliers

As at 30 June 2016, the amount represents payment of land-transferring fund and related deed taxes made by Guishen Company and its subsidiaries, as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 629.41 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.

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

Aging	30 June 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	110,894,266.94	43.88	155,111,527.01	64.07
1 to 2 years	57,910,399.09	22.91	86,644,014.86	35.79
2 to 3 years	83,624,534.70	33.09	155,290.00	0.06
Over 3 years	290,881.00	0.12	205,000.00	0.08
<b>total</b>	<b>252,720,081.73</b>	<b>100.00</b>	<b>242,115,831.87</b>	<b>100.00</b>

As at 30 June 2016, advances to suppliers over 1 year mainly comprised advances for acquisition of land use rights and advances for designing fees which were not fully settled since the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

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

	Amount	% of total balance
Total accumulated advances to suppliers from the five largest suppliers	236,625,471.33	93.63%

## Notes to Financial Statements

For the period ended 30 June 2016

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### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 4. Dividends receivables

Item (or Investee)	30 June 2016	31 December 2015
Dividend distribution of Guizhou Bank	38,200,000.00	–
<b>Total</b>	<b>38,200,000.00</b>	<b>–</b>

On 17 June 2016, the shareholders' meeting of Guizhou Bank approved a profit distribution plan to pay to all shareholders cash dividend equivalent to 10% of the number of issued and outstanding shares. The company should be received the dividends as the amount of RMB38.2 million. As at 30 June 2016, the dividends had not been received. This cash dividends payment made by Bank of Guizhou was occurred since the Company held the stock before it became an associate of the Company. These cash dividends recognized as investment income in profit or loss of current period.

#### 5. Other receivables

##### (1) Other receivables are analysed by categories as follows:

Item	30 June 2016					31 December 2015				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book value	Amount	% of total balance	Amount	% of total balance	Book value
Individually significant and provision separately assessed	–	–	–	–	–	–	–	–	–	–
Provision assessed collectively	246,630,813.24	100.00	–	–	246,630,813.24	123,461,626.41	100.00	–	–	123,461,626.41
Group 1	197,789,167.07	80.20	–	–	197,789,167.07	78,988,427.66	63.98	–	–	78,988,427.66
Group 2	48,841,646.17	19.80	–	–	48,841,646.17	44,473,198.75	36.02	–	–	44,473,198.75
Individually not significant but provision separately assessed	–	–	–	–	–	–	–	–	–	–
<b>Total</b>	<b>246,630,813.24</b>	<b>/</b>	<b>–</b>	<b>/</b>	<b>246,630,813.24</b>	<b>123,461,626.41</b>	<b>/</b>	<b>–</b>	<b>/</b>	<b>123,461,626.41</b>

Other receivables in group 2 whose provision was assessed collectively using aging analysis method is analysed as follows:

Aging	30 June 2016		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	37,791,979.68	–	–
1 to 2 years	4,398,042.92	–	–
2 to 3 years	6,651,623.57	–	–
<b>Total</b>	<b>48,841,646.17</b>	<b>–</b>	<b>–</b>

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (continued)

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

Nature	30 June 2016	31 December 2015
Receivable from transfer of shares	69,287,102.74	–
Refund of land property changes receivable	52,902,154.13	–
Advances	44,442,552.43	5,441,966.56
Land expropriation and resettlement compensation receivable	28,328,230.00	28,328,230.00
Staff advances	14,719,972.90	12,311,630.57
Project deposit	14,122,512.53	16,578,454.06
Advertising receivable	4,500,000.00	4,500,000.00
Administrative imprest	3,618,698.59	4,151,014.87
Loans to related parties	–	31,580,381.94
Penalty receivable	–	8,000,000.00
Others	14,709,589.92	12,569,948.41
<b>Total</b>	<b>246,630,813.24</b>	<b>123,461,626.41</b>

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

Company name	Nature	30 June 2016	Aging	% of total balance	Provision for bad debts
Shenzhen International Logistics Development LTD	Receivable from Share transfer	69,287,102.74	Within 1 year	28.09	–
The Government of Longli County, Guizhou Province	Refund of land property changes receivable	52,902,154.13	Within 1 year	21.45	–
The Government of Longhua District, Shenzhen	Receivables in relation to the advances of the toll adjustment and newly built support facility of Meiguan Expressway	40,780,637.00	Within 1 year	16.54	–
Shenzhen International United Land Co., LTD	Land expropriation and resettlement compensation receivable	28,328,230.00	Within 1 year	11.49	–
Shenzhen Yidaitianjiao Advertising Co., LTD	Leasing performance bond	4,500,000.00	Within 1 year	1.82	–
<b>Total</b>	/	<b>195,798,123.87</b>	/	<b>79.39</b>	<b>–</b>

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 6. Inventories

##### (1) Inventory classification

Item	30 June 2016			31 December 2015		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties under developed (a)	413,835,093.49	–	413,835,093.49	407,110,780.56	–	407,110,780.56
Properties in development (b)	328,594,534.26	–	328,594,534.26	235,827,158.99	–	235,827,158.99
Toll tickets	2,964,603.59	–	2,964,603.59	4,729,835.35	–	4,729,835.35
Maintenance and repair parts	661,060.01	–	661,060.01	682,490.24	–	682,490.24
Low value consumables	316,828.81	–	316,828.81	362,991.22	–	362,991.22
<b>Total</b>	<b>746,372,120.16</b>	<b>–</b>	<b>746,372,120.16</b>	<b>648,713,256.36</b>	<b>–</b>	<b>648,713,256.36</b>

(a) Properties under developed were the pre-developed lands of the Group located in Longli County, the undeveloped lands holding by Guizhou-Shenzhen Expressway Land Co, Ltd. ("Guizhou Land") were the parts of construction of Phase II to Phase V of "Interlaken Town Project". And the Group had no explicit development plan for the rest lands.

(b) Properties in development

Name of Project	Started time	Estimated completion date	The Amount of Estimated investment	Ending balance on 30 June 2016	Opening Balance on 1 January 2016
Phase I Group A of "Interlaken Town Project"	December 2014	August 2016	310,000,000.00	258,593,508.52	228,038,481.53
Phase I Group B of "Interlaken Town Project"	April 2016	April 2017	250,000,000.00	70,001,025.74	7,788,677.46

##### (2) Borrowing costs capitalization

During the period, the Group had capitalised borrowing costs amounting to RMB1,274,368.12 (the same period in 2015: 1,839,322.33) on properties under development.

#### 7. Current portion of non-current assets

Item	30 June 2016	31 December 2015
Receivables from Longli BT Project (Note V.10(1)(a))	40,225,519.47	86,023,947.55
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway (Note V.10(1)(b))	54,059,858.67	53,058,322.11
<b>Total</b>	<b>94,285,378.14</b>	<b>139,082,269.66</b>

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 8. Other current assets

Item	30 June 2016	31 December 2015
Withholding Tax	19,511,263.32	18,879,520.24
Financial products	900,000,000.00	–
<b>Total</b>	<b>919,511,263.32</b>	<b>18,879,520.24</b>

As at 30th June 2016, other short-term financial products includes Guaranteed financial products from Pingan Bank RMB400 million, Guaranteed financial products from China Development Bank RMB400 million and Guaranteed income financial products from Bank of China RMB100 million. These financial products all have an expected duration which is less than 6 months, the Group is using rolling method to invest.

### 9. Available-for-sale financial assets

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

Item	30 June 2016			31 December 2015		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instrument:						
– Measured at cost	43,490,000.00	–	43,490,000.00	30,170,000.00	–	30,170,000.00
<b>Total</b>	<b>43,490,000.00</b>	<b>–</b>	<b>43,490,000.00</b>	<b>30,170,000.00</b>	<b>–</b>	<b>30,170,000.00</b>

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

Investee	Carrying amount				Allowance for impairment				Share holding (%)	Cash dividends during the period
	Opening balance	Additional during the period	Deduction during the period	Closing balance	Opening balance	Additional during the period	Deduction during the period	Closing balance		
United Electronic Company	30,170,000.00	13,320,000.00	–	43,490,000.00	–	–	–	–	12.86	–
<b>Total</b>	<b>30,170,000.00</b>	<b>13,320,000.00</b>	<b>–</b>	<b>43,490,000.00</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>12.86</b>	<b>–</b>

On March 25, 2016, upon approval by the Board of Directors of the company to the United Electronic Company replenishment of RMB13.32 million, after the capital increase and share expansion, Shares held by the company dropped from 15% to 12.86%, its real impact doesn't significant change. Since such unlisted equity share did not have a quoted market price in an active market, there is a very large range of variations in its reasonable fair value estimate, as well as the types of probability data, used for determining the fair value. The estimate can not be made reasonably and, the fair value of the available-for-sale financial assets cannot be reliably measured, hence it is measured at cost.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 10. Long-term receivables

##### (1) General information:

Item	30 June 2016			31 December 2015			Range of discount rate
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (a)	99,412,691.05	-	99,412,691.05	142,714,976.24	-	142,714,976.24	9%
Receivables from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (b)	54,059,858.67	-	54,059,858.67	53,058,322.11	-	53,058,322.11	4.75%-6.15%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba, Yanpai and Nanguang ("Three Expressways")	13,413,368.31	-	13,413,368.31	12,019,232.87	-	12,019,232.87	4.35%-4.75%
Sub-total	166,885,918.03	-	166,885,918.03	207,792,531.22	-	207,792,531.22	/
Less: Current portion	94,285,378.14	-	94,285,378.14	139,082,269.66	-	139,082,269.66	/
<b>Total</b>	<b>72,600,539.89</b>	<b>-</b>	<b>72,600,539.89</b>	<b>68,710,261.56</b>	<b>-</b>	<b>68,710,261.56</b>	<b>/</b>

- (a) The Longli BT Project was completed by the end of 2014, which was constructed by the Company's subsidiary Guishen Company. As at 30 June 2016, due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project is RMB99 million, inclusive RMB40 million will be received within a year.
- (b) 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" (the "Adjustment Agreement") with Shenzhen Transportation Bureau and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to this Adjustment Agreement, the Company implemented toll-free for section from Meilin to Guanlan of Meiguan Expressway with a distance measured at approximately 13.8 km ("Toll Free Section") from the midnight of 31 March 2014. The People's Government of Shenzhen undertook to make cash compensation to the Company. The balance represented the compensation receivables and related interest income from Shenzhen Municipal Government as of 30 June 2016, which is expected to be settled in the latter half of 2016.
- (c) Interest income recognised during the period using effective interest method was RMB7,622,625.81 (the same period in 2015: RMB65,389,435.40).

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 11. Long-term equity investments

Investee	31 December 2015	Current period Additions	Additional injection	Current period movement				Others	30 June 2016	Share holding (%)	Impairment provided in the current period
				Investment income/loss recognised under equity pick-up method	Cash dividend declared	Investment cost recovered	Provision for impairment				
<b>Joint ventures</b>											
Changsha Shenchang Expressway Company Limited ('Shenchang Company') (1)	161,475,129.93	-	-	12,475,217.75	-	-10,508,048.52	-	-	163,442,299.16	51	-
Gansu Provincial Highway Aviation Tourism Consulting Limited	4,103,978.37	-	-	-495,389.43	-	-	-	-	3,608,588.94	40	-
Sub-total	165,579,108.30	-	-	11,979,828.32	-	-10,508,048.52	-	-	167,050,888.10	-	-
<b>Associates</b>											
Shenzhen Huayu expressway investment company ("Huayu" company)	47,964,606.61	-	-	2,233,966.04	-	-	-	-	50,198,572.65	40	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	298,919,348.04	-	-	5,883,752.61	-	-	-	-	304,803,100.65	25	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	297,424,178.00	-	-	20,001,251.39	-20,001,251.39	-3,648,947.53	-	-	293,775,230.47	25	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	288,402,269.13	-	-	44,607,743.24	-44,607,743.24	-7,113,413.77	-	-	281,288,855.36	25	-
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	239,036,185.76	-	-	14,403,258.79	-	-	-	-	253,439,444.55	25	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	95,478,776.61	-	-	22,869,587.85	-22,869,587.85	-8,630,412.15	-	-	86,848,364.46	30	-
Guizhou Hengtongli Property Company Limited (Guizhou Hengtongli) (2)	-	42,265,929.51	-	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ('Unit Land Company') (3)	550,085,552.14	-	1,896,300,000.00	-1,274,040.80	-	-	-	-	2,445,111,511.34	49	-
Bank of Guizhou Co., LTD ("Bank of Guizhou") (4)	-	664,560,000.00	-	-	-	-	-	-	664,560,000.00	4.92	-
Sub-total	1,817,310,916.29	706,825,929.51	1,896,300,000.00	108,725,519.12	-87,478,582.48	-19,392,773.45	-	-	4,422,291,008.99	-	-
<b>Total</b>	<b>1,982,890,024.59</b>	<b>706,825,929.51</b>	<b>1,896,300,000.00</b>	<b>120,705,347.44</b>	<b>-87,478,582.48</b>	<b>-29,900,821.97</b>	<b>-</b>	<b>-</b>	<b>4,589,341,897.09</b>	<b>-</b>	<b>-</b>

- (1) Shenchang Company's registered and main operated locations are in China. According to the related joint venture contracts and articles of incorporation, the principal financial and operating decisions of Shenchang Company shall be made based on the common consent of both investment parties. As a result, Shenchang Company is deemed as the Company's joint venture and is accounted for using equity method.
- (2) As at 24 June 2016, Guizhou Land transferred all of the equity and debt of Guizhou Pengbo investment Co., Ltd shareholding and 51% of Guizhou Hengtongli Property Co. Ltd. After disposal, Guizhou Land still has significant impact on the financial and operating decisions of Guizhou Hengtongli. As a result, the joint venture is deemed as the Company's joint venture and is accounted for using equity method.
- (3) As at 20 June 2016, the Company has made cash contribution to United Land Company amounted to 1.8963 Billion. And the registered capital of United Land Company is amount to RMB5 billion. Then the Company had no longer investment commitment to United Land Company.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 11. Long-term equity investments (continued)

(4) On 23 December 2015 and on 21 March 2016, the Company respectively entered into an agreement with Bank of Guizhou Co., Ltd, pursuant to which the Company agreed to subscribe shares issued by Bank of Guizhou. The Phase I amount of subscription was RMB595,920,000.00, the Phase II amount of subscription was RMB68,640,000.00. The Company was expected to account for 4.92% of the total share capital for the Bank of Guizhou Company Limited after its increasing in capital and shares. In addition, on 17 June 2016, in accordance with the approval and authorisation of the general meeting of Guizhou Bank, the company got a place in board of directors of Guizhou Bank. Meanwhile, the company became the fourth largest shareholder of Guizhou Bank and had a significant influence on its.

(5) The equity interest and voting right held in associates are the same.

#### 12. Fixed assets

##### (1) Fixed asset movement

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
<b>1. Cost</b>					
31 December 2015	712,930,449.33	1,294,442,284.40	37,930,799.91	80,544,195.74	2,125,847,729.38
Current period additions	3,541,607.57	5,325,320.00	971,630.00	2,718,223.23	12,556,780.80
– Purchase	3,385,607.57	1,632,000.00	971,630.00	2,718,223.23	8,707,460.80
– Transfers from construction in progress	156,000.00	3,693,320.00	–	–	3,849,320.00
Current period reductions	–	–	774,061.00	590,304.66	1,364,365.66
– Other disposal	–	–	774,061.00	590,304.66	1,364,365.66
30 June 2016	716,472,056.90	1,299,767,604.40	38,128,368.91	82,672,114.31	2,137,040,144.52
<b>2. Accumulated depreciation</b>					
31 December 2015	193,961,459.14	701,557,853.73	25,699,068.14	48,417,687.68	969,636,068.69
Current period additions	16,819,981.67	59,363,397.95	2,404,982.67	3,629,192.34	82,217,554.63
– Addition	16,819,981.67	59,363,397.95	2,404,982.67	3,629,192.34	82,217,554.63
Current period reductions	–	–	727,654.90	574,003.46	1,301,658.36
– Other reductions	–	–	727,654.90	574,003.46	1,301,658.36
30 June 2016	210,781,440.81	760,921,251.68	27,376,395.91	51,472,876.56	1,050,551,964.96
<b>3. Net book value</b>					
30 June 2016	505,690,616.09	538,846,352.72	10,751,973.00	31,199,237.75	1,086,488,179.56
31 December 2015	518,968,990.19	592,884,430.67	12,231,731.77	32,126,508.06	1,156,211,660.69

##### (2) Fixed assets lacking certificates of ownership

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	380,685,369.02	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In 2016, depreciation expenses amounting to RMB79,283,040.81 and RMB2,934,513.81 had been charged into costs of services and general and administrative expenses, respectively (the same period in 2015: RMB61,935,712.76 and RMB2,355,090.18).



**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**13. Construction in progress**
**(1) General information of construction in progress**

Item	30 June 2016			31 December 2015		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	14,794,979.73	-	14,794,979.73	12,330,609.77	-	12,330,609.77
Nation-wide ETC toll interconnection project	2,142,889.98	-	2,142,889.98	2,804,935.98	-	2,804,935.98
Billboard and light box projects	901,600.00	-	901,600.00	559,000.00	-	559,000.00
Toll-by-weight projects	-	-	-	3,126,975.00	-	3,126,975.00
Others	15,229,174.38	-	15,229,174.38	10,634,565.67	-	10,634,565.67
<b>Total</b>	<b>33,068,644.09</b>	<b>-</b>	<b>33,068,644.09</b>	<b>29,456,086.42</b>	<b>-</b>	<b>29,456,086.42</b>

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

Item	Budget amount	31 December 2015	Current period additions	Transfer to fixed assets	Other reductions in Current period	30 June 2016	% contribution in budget of current period	Progress of construction	Interests capitalised	Source of funds
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	20million	12,330,609.77	2,464,369.96	-	-	14,794,979.73	12.32	In progress	-	Self-owned funds
Toll-by-weight projects	22million	3,126,975.00	-	-3,031,274.00	-95,701.00	-	-	Completed	-	Self-owned funds
Nation-wide ETC toll interconnection project	53million	2,804,935.98	-	-662,046.00	-	2,142,889.98	-	In progress	-	Self-owned funds
Billboard and light box projects	10million	559,000.00	633,600.00	-156,000.00	-135,000.00	901,600.00	6.34	In progress	-	Self-owned funds
Others	*	10,634,565.67	8,168,148.89	-	-3,573,540.18	15,229,174.38	-	In progress	-	Self-owned funds
<b>Total</b>		<b>29,456,086.42</b>	<b>11,266,118.85</b>	<b>-3,849,320.00</b>	<b>-3,804,241.18</b>	<b>33,068,644.09</b>		/ /		/

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

## Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 14. Intangible assets

##### (1) General information of intangible assets

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
<b>1. Cost</b>				
31 December 2015	24,831,125,591.54	27,688,766.60	153,846,610.25	25,012,660,968.39
Current period additions	32,442,755.32	281,746.16	-	32,724,501.48
- Purchased	-	281,746.16	-	281,746.16
- Other additions	32,442,755.32	-	-	32,442,755.32
Current period reductions	-	-	31,245.30	31,245.30
- Other	-	-	31,245.30	31,245.30
30 June 2016	24,863,568,346.86	27,970,512.76	153,815,364.95	25,045,354,224.57
<b>2. Accumulated amortisation</b>				
31 December 2015	4,989,822,563.90	6,983,461.64	124,079,168.84	5,120,885,194.38
Current period additions	506,908,759.28	2,687,404.13	5,827,676.24	515,423,839.65
- Additions	506,908,759.28	2,687,404.13	5,827,676.24	515,423,839.65
30 June 2016	5,496,731,323.18	9,670,865.77	129,906,845.08	5,636,309,034.03
<b>3. Impairment</b>				
31 December 2015	620,000,000.00	-	-	620,000,000.00
30 June 2016	620,000,000.00	-	-	620,000,000.00
<b>4. Net book value</b>				
30 June 2016	18,746,837,023.68	18,299,646.99	23,908,519.87	18,789,045,190.54
31 December 2015	19,221,303,027.64	20,705,304.96	29,767,441.41	19,271,775,774.01

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

	Cost	31 December 2015	Current period additions	Current period amortisation	30 June 2016	Accumulated amortisation	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,417,405,717.33	-	106,765,215.04	<b>7,310,640,502.29</b>	1,350,349,196.42	620,000,000.00
Nanguang Expressway	2,806,006,333.43	2,417,600,561.86	2,874,509.82	42,643,318.58	<b>2,377,831,753.10</b>	428,174,580.33	-
Shenzhen Airport-Heao Expressway -Eastern Section	3,092,170,511.84	1,962,847,346.57	-	87,518,996.95	<b>1,875,328,349.62</b>	1,216,842,162.22	-
Shuiguan Expressway	4,448,811,774.58	4,394,590,612.30	-	145,776,445.92	<b>4,248,814,166.38</b>	199,997,608.20	-
Yanba Expressway	1,255,337,192.11	955,623,462.74	-	25,208,767.13	<b>930,414,695.61</b>	324,922,496.50	-
Wuhuang Expressway	1,523,192,561.64	689,087,255.88	-	43,568,422.32	<b>645,518,833.56</b>	877,673,728.08	-
Meiguan Expressway	614,047,345.55	374,432,982.97	999,795.48	16,225,342.23	<b>359,207,436.22</b>	254,839,909.33	-
Yanpai Expressway	910,532,308.18	570,311,423.45	-	20,021,042.61	<b>550,290,380.84</b>	360,241,927.34	-
Shenzhen Airport-Heao Expressway -Western Section	843,517,682.25	379,009,175.99	-	19,181,208.50	<b>359,827,967.49</b>	483,689,714.76	-
Outer Ring Expressway	88,962,938.57	60,394,488.55	28,568,450.02	-	<b>88,962,938.57</b>	-	-
<b>Total of Concession intangible assets</b>	<b>24,863,568,346.86</b>	<b>19,221,303,027.64</b>	<b>32,442,755.32</b>	<b>506,908,759.28</b>	<b>18,746,837,023.68</b>	<b>5,496,731,323.18</b>	<b>620,000,000.00</b>

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway is set out in Note V.25(1)(b).

(c) For the six months ended 30 June 2016, the amount of amortisation of intangible assets is RMB515,423,839.65, which was the same as that charged to current period's income statement (the same period in 2015: RMB352,947,897.56).

(d) During the period, the Group had capitalised no borrowing costs on intangible assets (the same period in 2015: Nil).

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 15. Deferred tax assets and deferred tax liabilities

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

Item	30 June 2016		31 December 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	192,283,479.98	48,070,870.04	192,283,479.98	48,070,870.04
Compensation provided by concession grantors (b)	79,182,418.96	19,795,604.74	81,305,822.20	20,326,455.55
Deductible tax losses (c)	246,440,346.64	61,610,086.66	282,214,932.56	70,553,733.14
Operating compensation of newly built tolls of Meiguan Expressway (d)	140,878,181.45	35,219,545.36	147,210,600.81	36,802,650.20
Difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (e)	28,189,460.88	7,047,365.22	28,189,460.88	7,047,365.22
Payroll accrued but not paid	6,554,327.00	1,638,581.75	10,758,383.00	2,689,595.75
Other	4,315,004.12	1,078,751.03	4,661,533.52	1,165,383.38
<b>Total</b>	<b>697,843,219.03</b>	<b>174,460,804.80</b>	746,624,212.95	186,656,053.28
Including:				
Expected to be utilised within 1 year (including 1 year)		17,173,567.05		34,028,489.49
Expected to be utilised over 1 year		157,287,237.75		152,627,563.79
<b>Total</b>		<b>174,460,804.80</b>		186,656,053.28

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

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### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 15. Deferred tax assets and deferred tax liabilities (continued)

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

Item	30 June 2016		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	162,113,551.80	40,528,387.95	167,696,493.92	41,924,123.48
Business combinations involving enterprises not under common control (b)				
– Qinglian Company	679,512,062.83	166,573,208.80	689,435,714.73	169,054,121.78
– Airport-Heao Eastern Company	1,312,848,528.33	328,212,134.08	1,374,117,364.92	343,529,343.23
– Qinglong Company	2,922,142,466.39	730,535,616.60	3,024,112,334.55	756,028,083.64
– JEL Company	492,658,071.55	123,028,684.35	523,960,267.86	130,854,233.43
– Meiguan Company	27,025,501.60	4,736,034.72	28,246,239.17	5,041,219.11
– Consulting company	12,732,826.87	1,909,924.03	15,202,927.17	2,280,439.08
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway (c)	1,559,816.23	389,954.06	558,279.66	139,569.90
<b>Total</b>	<b>5,610,592,825.60</b>	<b>1,395,913,944.59</b>	<b>5,823,329,621.98</b>	<b>1,448,851,133.65</b>
Including:				
Expected to be utilised within 1 year (including 1 year)		106,497,147.01		111,441,358.28
Expected to be utilised over 1 year		1,289,416,797.58		1,337,409,775.37
<b>Total</b>		<b>1,395,913,944.59</b>		<b>1,448,851,133.65</b>

(a) The deferred tax liability was recognised based on the temporary difference generated between the tax base (straight line basis) and accounting base (traffic volume basis) of the amortisation of toll road concession intangible assets.

(b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, Qinglong, JEL Company, Meiguan Company and Consulting Company, deferred tax liabilities were recognised on temporary differences between the fair values and book values of respective identifiable assets and liabilities acquired.

(c) The Company recognised interest income due to the Shenzhen Government's installment payment term of the Compensation resulted from the toll adjustment of Meiguan Expressway and deferred tax liabilities are recognised for temporary differences arising between the tax bases and their carrying amounts.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Item	Deferred tax assets and liabilities offset as at 30 June 2016	Net values of deferred tax assets/ liabilities as at 30 June 2016	Deferred tax assets and liabilities offset as at 31 December 2015	Net values of deferred tax assets/ liabilities as at 31 December 2015
Deferred tax assets	-98,979,957.70	75,480,847.10	-109,038,541.33	77,617,511.95
Deferred tax liabilities	98,979,957.70	1,296,933,986.89	109,038,541.33	1,339,812,592.32

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

Item	30 June 2016	31 December 2015
Deductible tax losses	239,909,689.04	258,256,269.70
<b>Total</b>	<b>239,909,689.04</b>	<b>258,256,269.70</b>

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

Year	30 June 2016	31 December 2015
Year 2017	81,787,245.19	88,750,103.43
Year 2018	146,242,571.78	146,425,448.01
Year 2019	878,206.68	6,217,971.96
Year 2020	981,082.14	16,862,746.30
Year 2021	10,020,583.25	–
<b>Total</b>	<b>239,909,689.04</b>	<b>258,256,269.70</b>

16. Other non-current assets

Item	30 June 2016	31 December 2015
Share subscription fee	–	595,920,000.00
<b>Total</b>	<b>–</b>	<b>595,920,000.00</b>

The Company made an investment of RMB595,920,000.00 for proposed subscription of 382 million shares issued by Bank of Guizhou Company Limited. Because related equity alteration procedures are uncompleted, the deposit is recorded as other non-current assets. On 17 June 2016, the non-current asset has been transferred to long-term equity investment. The detailed information is set out in Note V.11.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 17. Accounts payable

##### (1) Analysis of accounts payable

Item	30 June 2016	31 December 2015
Payables for construction projects and quality deposits	158,326,191.77	169,985,515.87
Others	17,503,147.59	12,038,443.28
<b>Total</b>	<b>175,829,339.36</b>	182,023,959.15

##### (2) The aging of important accounts payable based on their recording over 1 year is analysed as follows:

Item	30 June 2016	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	49,003,110.00	Project settlement has not completed.
Zhejiang Bayong Highway Project Company Limited	12,418,636.00	Project settlement has not completed.
Qingyuan Land Resource Bureau	5,882,280.00	Project settlement has not completed.
Jiangxi Tongwei Highway Construction Project Group Company Limited	3,507,602.57	Project settlement has not completed.
China Construction Eighteen Engineering Division Corp.,Ltd	3,292,564.00	Project settlement has not completed.
<b>Total</b>	<b>74,104,192.57</b>	/

#### 18. Advances from customers

##### (1) General information of advances from customers

Item	30 June 2016	31 December 2015
Advances from sales of real estates	215,726,716.00	148,038,128.10
Advances from project consultation fee	67,389,490.68	69,397,903.14
Advances from advertising customers	11,211,815.18	13,318,867.21
Advances from agent-construction fee of Outer Ring Project	36,251,644.94	–
Advances from agent-construction fee of Coastal Project Phase II	33,207,547.17	–
Others	449,604.00	2,092,937.37
<b>Total</b>	<b>364,236,817.97</b>	232,847,835.82

As at 30 June 2016, account collected in advance over 1 year is RMB21,550,130.01 (31 December 2015: 19,725,690.37) mainly comprised project funds in advance of Consulting company, these fees were not fully settled since contracts have not been complete.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Employee benefits payable

(1) Analysis of employee benefits payable

Item	31 December 2015	Current period additions	Current period reductions	30 June 2016
I. Short-term wages	153,837,190.98	177,632,926.08	288,773,810.69	42,696,306.37
II. Pension benefits – defined contribution plans	218,926.85	18,805,921.01	18,785,723.44	239,124.42
<b>Total</b>	154,056,117.83	196,438,847.09	307,559,534.13	42,935,430.79

(2) Analysis of short-term wages

Item	31 December 2015	Current period additions	Current period reductions	30 June 2016
I. Wages and salaries, bonuses, allowances and subsidies	149,452,412.87	140,592,944.56	251,495,057.44	38,550,299.99
II. Staff welfare	–	15,027,182.14	15,027,182.14	–
III. Social security contributions	65,725.53	7,738,289.69	7,736,624.14	67,391.08
Including: Medical insurance	55,209.63	6,500,184.89	6,498,785.82	56,608.70
Work injury insurance	3,440.92	405,121.38	405,034.19	3,528.11
Maternity insurance	7,074.98	832,983.42	832,804.13	7,254.27
IV. Housing funds	6,437.41	9,754,301.32	9,754,301.32	6,437.41
V. Labor union funds and employee education funds	3,615,207.91	4,233,537.95	4,431,573.39	3,417,172.47
VI. Others	697,407.26	286,670.42	329,072.26	655,005.42
<b>Total</b>	153,837,190.98	177,632,926.08	288,773,810.69	42,696,306.37

(3) Analysis of defined contribution plans

Item	31 December 2015	Current period additions	Current period reductions	30 June 2016
I. Basic pensions	119,830.98	14,108,472.04	14,105,435.39	122,867.63
II. Unemployment insurance	2,484.87	292,560.28	292,497.32	2,547.83
III. Enterprise annuities	96,611.00	4,404,888.69	4,387,790.73	113,708.96
<b>Total</b>	218,926.85	18,805,921.01	18,785,723.44	239,124.42

20. Taxes payable

Item	30 June 2016	31 December 2015
Corporate income tax payable	126,096,330.28	230,045,738.13
VAT payable	30,646,162.80	1,514,128.09
City maintenance and construction tax payable	2,417,589.86	1,501,233.94
Educational surcharge payable	1,067,504.42	684,403.02
Business tax payable	–	19,519,486.82
Others	9,820,915.56	4,779,944.34
<b>Total</b>	170,048,502.92	258,044,934.34

## Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 21. Interest payable

Item	30 June 2016	31 December 2015
Interest of corporate bonds	124,292,076.11	57,292,164.11
Interest of medium-term notes	43,453,463.87	52,224,448.99
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	2,367,632.36	9,273,822.41
<b>Total</b>	<b>170,113,172.34</b>	<b>118,790,435.51</b>

#### 22. Dividends payable

Item	30 June 2016	31 December 2015
Dividends payable to H share shareholders	228,989,168.35	–
Dividends payable to minority interests of Consulting Company	4,357,096.79	–
<b>Total</b>	<b>233,346,265.14</b>	<b>–</b>

#### 23. Other payables

##### (1) Analysis of other payables by nature

Item	30 June 2016	31 December 2015
Project funds retained for construction management contracts (a)	335,787,236.56	241,385,764.83
Payable related to costs of construction management services	157,775,168.12	157,775,168.12
Payable related to maintenance for roads	82,815,463.60	85,313,040.99
Advance from associates	74,276,376.43	74,276,376.43
Guaranteed deposits for construction projects contracts or pitches	67,412,329.20	61,640,011.19
Payable to Wanjin Company	29,968,000.00	–
Project funds payables to the contractors of Longli BT Project	26,320,784.91	27,883,037.20
Acquisition expenses for equity shares of Fameluxe Company	26,000,000.00	46,000,000.00
Withholding engineering and special administrative expenses	21,535,666.92	37,206,599.48
Mechanical and electrical costs payable	6,525,849.74	19,685,903.22
Subscription funds and down deposits received for real estate sales	3,445,000.00	3,997,000.00
Compensation received related to Toll Adjustment of Three Expressways	–	548,920,000.00
Others	47,257,973.36	20,971,095.85
<b>Total</b>	<b>879,119,848.84</b>	<b>1,325,053,997.31</b>

- (a) The Company was entrusted by the Shenzhen Government for management of the construction of highway projects. The projects are funded by the Shenzhen Government. The related project payments are made by the Company through special deposit accounts opened for the projects in accordance with relevant provisions of the construction management contracts. As at 30 June 2016, project funds retained in the special deposit accounts amounting to RMB335,787,236.56 (31 December 2015: RMB241,385,764.83) were classified as restricted bank balance on balance sheet and in the cash flow statements.



**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**23. Other payables (continued)**
**(2) Significant other payables with aging over 1 year**

Item	30 June 2016	Reason for unsettlement
GZ W2 Company	37,500,000.00	Dividend distribution not assigned.
Nanjing Third Bridge Company	33,526,376.43	Dividend distribution not assigned
Guizhou Wanjin real estate Co., LTD	29,968,000.00	Contract settlement has not completed.
CCCC Second Highway Engineering Co.,Ltd.	24,007,220.06	Contract settlement has not completed.
Shandong Provincial Highway and Bridge Group Co.,Ltd.	18,609,978.82	Contract settlement has not completed.
<b>Total</b>	<b>143,611,575.31</b>	/

**24. Current portion of non-current liabilities**

Item	30 June 2016	31 December 2015
Current portion of non-current bonds (Notes V.26(1))	2,498,291,916.96	1,499,997,000.00
Current portion of non-current borrowings (Notes V.25(1))	99,200,000.00	269,200,000.00
Including: Pledged	99,200,000.00	269,200,000.00
Current portion of provisions (Notes V.27)	67,043,879.39	67,043,879.39
Current portion of compensations related to the toll adjustment of three Expressway (Notes V.29)	423,358,865.75	–
Current portion of compensations to the tax and surcharges from the toll adjustment of Meiguan Expressway (Notes V.29)	1,750,199.11	–
<b>Total</b>	<b>3,089,644,861.21</b>	<b>1,836,240,879.39</b>

**25. Long-term borrowings**
**(1) Analysis of long-term borrowings**

Item	30 June 2016	31 December 2015
Pledged	1,832,624,000.00	2,201,928,764.00
<b>Total</b>	<b>1,832,624,000.00</b>	<b>2,201,928,764.00</b>

(a) At 30 June 2016, the Group's borrowings were repayable as follows:

Item	30 June 2016	31 December 2015
1 to 2 years	74,400,000.00	278,320,000.00
2 to 5 years	454,960,000.00	418,524,764.00
Over 5 years	1,303,264,000.00	1,505,084,000.00
<b>Total</b>	<b>1,832,624,000.00</b>	<b>2,201,928,764.00</b>

## Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 25. Long-term borrowings (continued)

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

(b) As at 30 June 2016, details of long-term pledged borrowings are set out as follows:

Item	Interest rate	Currency	Amount in RMB	Pledge details
Syndicated borrowings	4.41%-4.90%	RMB	1,931,824,000.00	Operating rights of Qinglian Expressway
Less: Current portion			99,200,000.00	
<b>Total</b>			<b>1,832,624,000.00</b>	

#### 26. Bonds payable

##### (1) Bonds payable

Item	30 June 2016	31 December 2015
Corporate bonds	<b>2,295,932,398.49</b>	2,295,598,321.67
Medium-term notes	<b>1,895,830,887.79</b>	1,894,728,466.81
Sub-total	<b>4,191,763,286.28</b>	4,190,326,788.48
Less: Current portion of long-term bonds	<b>2,498,291,916.96</b>	1,499,997,000.00
<b>Total</b>	<b>1,693,471,369.32</b>	2,690,329,788.48

##### (2) Movement of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2015	Current period issued	Accrual of interest by Par Value	Amortisation	Current period repaid	30 June 2016
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	795,601,321.67	-	22,000,002.00	334,076.82	-	<b>795,935,398.49</b>
Corporate bonds (a)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	1,499,997,000.00	-	44,999,910.00	-	-	<b>1,499,997,000.00</b>
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	997,337,571.00	-	18,687,138.78	957,345.96	-	<b>998,294,916.96</b>
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	897,390,895.81	-	27,544,626.10	145,075.02	-	<b>897,535,970.83</b>
<b>Total</b>	/	/	/	4,200,000,000.00	4,190,326,788.48	-	113,231,676.88	1,436,497.80	-	<b>4,191,763,286.28</b>

##### (a) Corporate bonds

The Company issued long-term corporate bonds with principal amount of RMB800,000,000 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 and principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan.

Upon the approval of Zheng Jian Xu Ke [2011] No.1131 issued by China Securities Regulatory Commission, the Company completed the issuance of long-term corporate bonds with principal amount of RMB1,500,000,000 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. A total RMB3,000.00 amount was sold back according to the declaration result in July 2014. On 27 July 2016, the Company had repaid the remaining principal amounting to RMB1,499,997,000.00 and the last period of interest.

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 26. Bonds payable (continued)

#### (2) Movement of bonds payable (continued)

(b) *Medium term notes*

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

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

### 27. Provisions

Item	30 June 2016	31 December 2015
Provisions for maintenance/resurfacing obligations	192,216,537.10	192,283,480.10
Less: Current portion	67,043,879.39	67,043,879.39
<b>Total</b>	<b>125,172,657.71</b>	125,239,600.71

### 28. Deferred income

Item	31 December 2015	Current year addition	Current year reductions	30 June 2016	Explanation
Non-current liabilities					
– Compensation to operating costs for Toll Free Section of Meiguan Expressway	147,210,600.81	–	6,332,419.36	140,878,181.45	Compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway before transferred provided by Shenzhen Government.
– Government compensation of demolition	27,469,888.87	–	–	27,469,888.87	Government compensation of demolition of Qinglong Company
Current liabilities					
– Return of deed taxes	3,464,972.66	–	696,570.21	2,768,402.45	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company.
<b>Total</b>	178,145,462.34	–	7,028,989.57	171,116,472.77	

Government grants items:

Item	31 December 2015	Additional grants in current period	Recognised in non-operating income in current period	Other changes	30 June 2016	Related to assets/revenue
Return of deed taxes	3,464,972.66	–	-696,570.21	–	2,768,402.45	In related to assets
<b>Total</b>	3,464,972.66	–	-696,570.21	–	2,768,402.45	/

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 29. Other non-current liabilities

Item	30 June 2016	31 December 2015
<b>Compensations related to the toll adjustment of Three Expressways</b>		
Acquisition of Compensations related to the toll adjustment of Three Expressways (a)	<b>6,588,000,000.00</b>	6,588,000,000.00
Add: the cumulative recognition of financial expense	<b>181,766,200.00</b>	26,230,000.00
Less: the cumulative deduction of toll income containing tax	<b>258,479,193.93</b>	–
Balances of compensations related to the toll adjustment of Three Expressways	<b>6,511,287,006.07</b>	6,614,230,000.00
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	<b>423,358,865.75</b>	548,920,000.00
<b>Subtotal</b>	<b>6,087,928,140.32</b>	6,065,310,000.00
<b>Compensations related to the toll adjustment of Meiguan Expressway</b>		
Long-term tax and fee of compensations related to the toll adjustment of Meiguan Expressway	<b>1,750,199.11</b>	1,750,199.11
Less: current portion of long-term tax and fee of compensations related to the toll adjustment of Meiguan Expressway	<b>1,750,199.11</b>	–
<b>Subtotal</b>	–	1,750,199.11
<b>Total</b>	<b>6,087,928,140.32</b>	6,067,060,199.11

- (a) On 30 November 2015, the Company entered into an agreement with Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment. The first stage will be started from 7th February 2016 to 31th December. During this period, Shenzhen Transportation Bureau purchases the toll services of this section and gives a cash compensation for the toll fees exemptions that caused by this purchase while the Company retains control and responsible for maintenance and resurfacing of the relevant toll roads. A third party professional traffic consultant will be appointed by the Company and government to perform studies of the actual traffic volume under the corresponding toll roads fees system. This consultant will also present the result by using the actual traffic volume which is adjusted and approved by both sides. For the second stage, Shenzhen Transportation Bureau can choose project one or project two based on different situations. By choosing project one, the operating method used at stage one, which means the toll fees exemption project, will continue until the expiry date of the 'Three Expressways' toll road's rights and interests. By choosing project two, the rest of rights and interests of "Three Expressways" will be taken back by Shenzhen Transportation Bureau and an one-off cash compensation will be made to the Company. Accordingly, it will be two stages for the "Three Expressways" toll roads exemptions scheme since 7th February 2016. Shenzhen Transportation Bureau is going to make cash compensation base on different projects. As at 30 June 2016, the Company received the first compensation, which is RMB6,588,000,000.00, including the current portion of the compensation of RMB423,358,865.75. The interest rate of the compensation is decided by both parties and refers the current interest rate published by People's Bank of China, and financial expense amounting to RMB155,536,200.00 was recognized for the six months ended 30 June 2016. On 29 January 2016, the arrangement has been examined and approved in the extraordinary general meeting held by the Company.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Share capital

For the six months ended 30 June 2016	31 December 2015	Movement				Sub-total	30 June 2016
		New shares issued	Right issue	Transfer from surplus	Others		
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

Year 2015	31 December 2014	Movement				Sub-total	31 December 2015
		New shares issued	Right issue	Transfer from surplus	Others		
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

31. Capital surplus

Item	31 December 2015	Current period additions	Current period reductions	30 June 2016
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
<b>Total</b>	2,274,351,523.42	-	-	2,274,351,523.42

Item	1 January 2015	Current period additions	Current period reductions	31 December 2015
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
<b>Total</b>	2,274,351,523.42	-	-	2,274,351,523.42

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 32. Other comprehensive income

For the six months ended 30 June 2016	31 December 2015	Amount incurred in current period		30 June 2016
		Pre-tax amount incurred in current period	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,605,520.32	<b>247,518.84</b>	<b>247,518.84</b>	<b>893,853,039.16</b>
– Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	<b>893,132,218.74</b>
– Equity investment reserve	406,180.00	–	–	<b>406,180.00</b>
– Others	67,121.58	<b>247,518.84</b>	<b>247,518.84</b>	<b>314,640.42</b>
<b>Total of Other comprehensive income</b>	893,605,520.32	<b>247,518.84</b>	<b>247,518.84</b>	<b>893,853,039.16</b>

Year 2015	1 January 2015	Amount incurred in current period		31 December 2015
		Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,604,159.01	1,361.31	1,361.31	893,605,520.32
– Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
– Equity investment reserve	406,180.00	–	–	406,180.00
– Others	65,760.27	1,361.31	1,361.31	67,121.58
<b>Total of Other comprehensive income</b>	893,604,159.01	1,361.31	1,361.31	893,605,520.32

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 33. Surplus reserve

For the six months ended 30 June 2016	31 December 2015	Current period additions	Current period reductions	30 June 2016
Statutory surplus reserve	1,462,492,638.06	–	–	<b>1,462,492,638.06</b>
Discretionary surplus reserve	453,391,330.06	–	–	<b>453,391,330.06</b>
<b>Total</b>	<b>1,915,883,968.12</b>	<b>–</b>	<b>–</b>	<b>1,915,883,968.12</b>

Year 2015	1 January 2015	Current year additions	Current year reductions	31 December 2015
Statutory surplus reserve	1,431,199,699.68	31,292,938.38	–	1,462,492,638.06
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
<b>Total</b>	<b>1,884,591,029.74</b>	<b>31,292,938.38</b>	<b>–</b>	<b>1,915,883,968.12</b>

In accordance with Chinese 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.

The Company appropriate discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any surplus reserve for the six months ended 30 June 2016 (the same period in 2015: nil).

### 34. Undistributed profits

Item	30 June 2016	31 December 2015
Opening undistributed profits	<b>5,104,281,635.31</b>	4,564,264,823.15
Add: Net profit attributable to equity holders of the Company in current period/year	<b>614,904,007.57</b>	1,552,656,397.24
Less: Appropriation for statutory surplus reserve	–	31,292,938.38
Dividends	<b>741,461,910.84</b>	981,346,646.70
<b>Undistributed profits at the end of the period/year</b>	<b>4,977,723,732.04</b>	<b>5,104,281,635.31</b>

In accordance with the resolution passed in the Annual General meeting on 19 May 2016, the Company proposed a cash dividend to all shareholders amounting to RMB741,461,910.84, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.34 per share. The cash dividend represents 47.75% of the net profit for the year ended 31 December 2015. As at 30 June 2016, cash dividend amounting to RMB228,989,168.35 has not been paid.

The Board of Directors did not recommend any payment of interim dividend for the six months ended 30 June 2016 (the same period in 2015: nil), nor did it recommend any conversion of capital reserve into share capital.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 35. Revenue and cost of services

Item	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	Revenue	Cost	Revenue	Cost
Main business – toll road	1,765,702,337.47	865,567,068.01	1,395,197,434.09	633,572,584.96
Other services –				
Construction consulting service	135,404,277.91	109,127,921.29	–	–
Management services revenue	97,826,505.82	55,560,683.55	54,488,704.44	17,723,669.06
Advertising services revenue	49,426,914.54	27,686,319.63	41,045,422.19	22,132,840.86
Others	14,768,113.70	9,096,647.30	8,886,421.72	9,437,269.79
Sub-total of other businesses	297,425,811.97	201,471,571.77	104,420,548.35	49,293,779.71
<b>Total</b>	<b>2,063,128,149.44</b>	<b>1,067,038,639.78</b>	<b>1,499,617,982.44</b>	<b>682,866,364.67</b>

#### 36. Business tax and surcharges

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Business tax	30,025,774.89	45,006,241.58
City maintenance and construction tax	5,414,503.74	3,268,388.17
Educational surcharge	3,867,518.96	2,347,181.71
Construction fee for culture development	1,282,585.12	1,057,319.29
Others	255,046.29	312,788.42
<b>Total</b>	<b>40,845,429.00</b>	<b>51,991,919.17</b>



V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37. General and administrative expenses

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Salary and wages	18,891,996.27	11,876,211.38
Operating lease payment	4,172,202.61	1,481,397.00
Depreciation	3,453,714.98	3,231,125.32
Office management expenses	1,606,671.73	1,055,679.44
Lawyers and advisory fees	1,561,149.81	6,180,706.18
Expenses paid to stock exchange	1,466,507.23	1,200,290.81
Audit fees	763,584.28	341,768.73
Others	9,408,537.86	4,410,835.60
<b>Total</b>	<b>41,324,364.77</b>	<b>29,778,014.46</b>

38. Financial expenses

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Interest expenses	321,061,633.62	236,176,961.48
Including: Interest expenses from borrowings	52,131,627.06	117,796,589.09
Interest expenses from bonds payable	114,668,174.68	120,219,694.72
Other financing expense (a)	155,536,200.00	–
Interest capitalised	-1,274,368.12	-1,839,322.33
Time value of provision for maintenance/resurfacing obligations	–	2,623,775.60
Exchange losses	87,129.93	411,440.32
Less: interest income	51,066,493.62	76,733,975.07
Others	673,306.13	110,655.61
<b>Total</b>	<b>270,755,576.06</b>	<b>162,588,857.94</b>

- (a) Other financing expense was the amortization of unrecognized financial charges due to compensation as the amount of RMB6,588,000,000.00 in related to toll adjustment of "Three Expressways". The amount of unrecognized financial charges was RMB904 million, which would be amortized into financial expense from December 2015 to 31 December 2018. The detailed information is set out in Note. V.29(a).

39. Investment income

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Income from long-term equity investments in a joint venture under equity method	11,979,828.32	6,851,437.17
Income from long-term equity investments in associates under equity method	108,725,519.12	126,768,528.51
Income from disposal of long-term equity assets	48,535,491.48	–
Gain on revaluation of remaining equity's fair value after losing control	16,673,414.89	–
Income from available-for-sale financial assets	38,200,000.00	3,000,000.00
Income from financing products	3,240,992.51	–
<b>Total</b>	<b>227,355,246.32</b>	<b>136,619,965.68</b>

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 40. Non-operating income

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2016
Land deed tax return from government	696,570.21	–	696,570.21
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	–	821,897.50	–
Gain on disposal of other fixed assets	8,707.84	19,150.00	8,707.84
Bounty	–	13,000.00	–
Others	649,065.94	197,351.95	649,065.94
<b>Total</b>	<b>1,354,343.99</b>	<b>1,051,399.45</b>	<b>1,354,343.99</b>

#### 41. Non-operating expenses

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015	Amount recognized in non-recurring profit or loss in the first half of the year
Total loss on disposal of non-current assets	68,755.14	1,709,823.59	68,755.14
Including: loss on disposal of fixed assets	68,755.14	1,709,823.59	68,755.14
Donation	500,602.20	–	500,602.20
Others	31,979.60	1,838.14	31,979.60
<b>Total</b>	<b>601,336.94</b>	<b>1,711,661.73</b>	<b>601,336.94</b>

#### 42. Income tax expenses

##### (1) Classification of income tax expense

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Current income tax calculated according to tax law and related regulations	211,332,321.02	152,632,075.09
Deferred income tax	-40,741,940.59	-12,604,472.30
<b>Total</b>	<b>170,590,380.43</b>	<b>140,027,602.79</b>

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Income tax expenses (continued)

(2) Income tax expense reconciliation from profit before tax

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Profit before tax	864,331,020.14	701,344,185.76
Income tax expenses calculated at applicable tax rate of 25% (the same period in 2015: 25%)	216,082,755.03	175,336,046.44
Difference from the CIT verification collection method of Guishen company	-2,728,634.38	-2,772,297.63
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	1,320,033.71	-
Income not subject to tax	-45,535,502.15	-35,552,017.11
Unrecognised tax losses	2,190,106.53	2,739,195.46
Utilisation of previous unrecognised tax losses	-6,691,309.98	-913,202.99
Adjustment of income tax in prior period	4,871,449.15	-
Others	1,081,482.52	1,189,878.62
<b>Income tax expenses</b>	<b>170,590,380.43</b>	<b>140,027,602.79</b>

43. Notes to consolidated cash flow statement

(1) Cash received relating to other operating activities

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Cash received relating to confiscated margin from Shenzhen United Property And Share Rights Exchanged	37,968,000.00	-
Cash received from Longli Country Government in relation to Longli Resettlement (Phase I) Project	10,000,000.00	13,000,000.00
Cash received relating to funding of Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	4,418,657.74	-
Cash received relating to fund Longli BT Project	-	90,395,837.49
Cash received relating to subscription funds and earnest funds for real estate properties	-	7,254,209.59
Cash received from other operating activities	9,713,368.16	874,669.78
<b>Total</b>	<b>62,100,025.90</b>	<b>111,524,716.86</b>

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 43. Notes to consolidated cash flow statement (continued)

##### (2) Cash paid relating to other operating activities

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Payment for acquisition of land use right	56,093,495.40	156,446,829.00
Payment for further development of land	54,730,334.01	59,147,380.78
Payment for the toll adjustment and newly built support facility of Meiguan Expressway	40,750,000.00	–
Management expenses paid for agent-construction projects	28,529,456.74	7,212,029.37
Cash advanced to Longli BT Project	10,330,166.50	25,716,558.00
Audit, valuation, lawyers and advisory fees paid	7,059,175.94	2,724,306.18
Expenses paid to stock exchange	2,026,306.70	1,715,536.57
Cash advance to Longli Resettlement Project	486,919.71	14,553,033.00
Other operating expenses paid	42,320,243.43	20,675,374.87
<b>Total</b>	<b>242,326,098.43</b>	<b>288,191,047.77</b>

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

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
The price of disposal of subsidiaries and other business units	138,574,205.49	180,800,000.00
Cash and cash equivalent received from disposal of subsidiaries and other business units	69,286,667.78	3,000,000.00
Less: acquire owned cash and cash equivalent by subsidiaries and other business units	–	–
Net cash receivable from disposal of subsidiaries and other business units	69,286,667.78	3,000,000.00

##### (4) Cash received relating to other investment activities

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Maturity redemption of financial products	1,450,000,000.00	–
Interest income	35,769,229.47	11,969,941.52
Loan repayment from Huayu Investment Group	20,264,423.16	–
<b>Total</b>	<b>1,506,033,652.63</b>	<b>11,969,941.52</b>

##### (5) Cash paid relating to acquire subsidiaries and other business units

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Paid withholding income tax due to transfer Hetai Company's equity interest	20,000,000.00	–
Paid to United Land due to increase capital	1,896,300,000.00	524,300,000.00
Paid share subscription fee of Guizhou Bank	68,640,000.00	–
Paid to United Electric due to increase capital	13,320,000.00	–
<b>Total</b>	<b>1,998,260,000.00</b>	<b>524,300,000.00</b>

**V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**
**43. Notes to consolidated cash flow statement (continued)**
**(6) Cash paid relating to other investment activities**

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Investment paid in financial products	2,350,000,000.00	–
Others	1,300,000.00	6,179,073.80
<b>Total</b>	<b>2,351,300,000.00</b>	<b>6,179,073.80</b>

**44. Supplementary information to consolidated cash flow statements**
**(1) Supplementary information to consolidated cash flow statements**

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
<b>1. Reconciliation from net profit to cash flows from operating activities:</b>		
Net profit	693,740,639.71	561,316,582.97
Depreciation of fixed assets	82,217,554.63	64,290,802.94
Amortisation of investment properties	287,850.00	287,850.00
Amortisation of intangible assets	515,423,839.65	352,947,897.56
Amortisation of long-term prepaid expenses	2,780,055.46	1,218,928.42
Gain on disposal of non-current assets	60,047.30	868,776.09
Financial expenses	270,755,576.06	162,588,857.94
Investment income	-227,355,246.32	-136,619,965.68
Net decrease in deferred tax assets and liabilities	-40,741,940.58	-12,604,472.30
Decrease/(increase) in inventories	-97,658,863.80	51,464,872.63
Decrease/(increase) in operating receivables	-101,418,516.28	-130,033,627.43
(Decrease)/increase in operating payables	-193,982,947.23	-516,337,690.99
Net cash flows from operating activities	904,108,048.60	399,388,812.15
<b>2. Net change in cash</b>		
Cash at the end of the period	3,124,619,175.55	1,024,933,508.33
Less: cash at the beginning of the period	6,180,992,066.06	1,255,154,897.37
<b>Net decrease/(increase) in cash</b>	<b>-3,056,372,890.51</b>	<b>-230,221,389.04</b>

**(2) Cash and cash equivalents**

Item	30 June 2016	31 December 2015
Cash		
Including: Cash on hand	13,023,041.33	12,671,446.03
Cash at bank	3,111,596,134.22	6,168,320,620.03
Cash at the end of the period	3,124,619,175.55	6,180,992,066.06
Including: Restricted cash held by the Company and group companies (Note V.1)	335,787,236.56	241,385,764.83
<b>Total cash at bank and on hand</b>	<b>3,460,406,412.11</b>	<b>6,422,377,830.89</b>

## Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

### V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

#### 45. Assets with ownership or use right restricted

Item	Balance at 30 June 2016	Reason of restriction
Operating right of Qinglian Expressway	7,310,640,502.29	The Group's syndicated borrowings are pledged by operating right of Qinglian Expressway
The equity interest in Meiguan Company	548,004,985.86	The Company's 100% equity interest in Meiguan Company issued for encounter guarantee for certain long-term bonds
Cash at bank and on hand	335,787,236.56	Restricted project funds retained for construction management
<b>Total</b>	<b>8,194,432,724.71</b>	/

#### 46. Monetary items denominated in foreign currency

##### (1) Monetary items denominated in foreign currency

Item	Original amount	Exchange rate	Equivalent to RMB
Monetary capital			
Denominated in: USD	14,853.59	6.6312	98,497.13
HKD	6,517,978.04	0.8547	5,570,915.83
CHF	11.70	1.0812	12.65
PTAS	446.00	0.0468	20.88
GBP	30.00	8.9212	267.64
EUR	257.00	7.3750	1,895.38
JAY	380.00	0.0645	24.51
Other receivables			
Denominated in: HKD	1,137,871.83	0.8547	972,539.05
Employee benefits payable			
Denominated in: HKD	7,281.30	0.8547	6,223.33

#### 47. Others

##### (1) 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:

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Consolidated net profit attributable to ordinary shareholders of the Company	614,904,007.57	538,958,774.43
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.282	0.247
Including: Basic earnings per share from continuing operations	0.282	0.247

## V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

### 47. Others (continued)

#### (1) Earnings per share (continued)

##### (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 period ended 30 June 2016, diluted earnings per share were equal to basic earnings per share.

## VI. CHANGE IN CONSOLIDATION

### 1. Change in consolidation due to subsidiaries newly incorporated

Guizhou Land Company newly incorporated and consolidated wholly owned subsidiaries namely Guizhou Hentongsheng Property Company Limited all by cash amounting to RMB1,000,000.00 on 6 April 2016.

### 2. Change in consolidation due to disposal of subsidiaries

Name of subsidiaries	Price	Equity disposal percentage (%)	Equity disposal approach	Loss of control point	Basis for determination of loss of control point	Gain on disposal of subsidiaries	Remainder equity interest percentage (%) at the disposed date	Book value of remainder equity interest at the disposed date	Fair value of remainder equity interest at the disposed date	Gain or loss arising from remainder equity interest recalculated per fair value	Method and assumptions at fair value of remainder equity interest on the disposed date	The amount of other comprehensive income transfer to investment income
Guizhou Hengtongli	43,991,069.49	51%	Dispose investment of subsidiary deemed to lose control	24 June 2016	Business licence obtained from change of business registration	17,353,962.44	49%	25,592,514.62	42,265,929.51	16,673,414.89	Method: Assets foundation approach Assumption: Public market assumption, continuing use assumption, continuing operation assumption, trading assumption	-
Guizhou Pengbo	94,583,136.00	100%	Dispose investment of subsidiary deemed to lose control	24 June 2016	Business licence obtained from change of business registration	31,181,529.04	-	-	-	-		-

On 30 December 2015, Guizhou Land Company and Shenzhen International Logistics Development Co., Ltd. signed "Agreement of Equity and Debts Transfer" to dispose all of the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli. Guizhou Land Company should restructure the related lands of Guilong No.2 land parcel and change the land properties of some land. After its restructure Guizhou Land Company would transfer its obligation rights and equity interest in Guizhou Pengbo Investment Company Limited ("Pengbo Company") and Hengtongli Company to Shenzhen International Logistics. The transfer price are RMB94,583,136.00 and RMB43,991,069.49 respectively. The transaction was completed on 24 June 2016. The Gain on transfer of all of the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli is amounting to RMB65,208,906.37.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### VII. INTERESTS IN OTHER ENTITIES

#### 1. Interests in subsidiaries

##### (1) Group companies forming the Group

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		
				Direct	Indirect	Acquired through
Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	–	Incorporation
Expressway Investment Company (Investment Company)	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	–	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land Development	–	70%	Incorporation
Guizhou Shengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
Guizhou Yuelong Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
Property Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	–	100%	Incorporation
Luyun Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Project management	100%	–	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	–	55%	Business combinations involving enterprises under common control
Magerk Company	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	–	55%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	51.37%	25%	Business combinations involving enterprises not under common control
Advertising Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	95%	5%	Business combinations involving enterprises not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	–	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	100%	–	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	–	100%	Business combinations involving enterprises not under common control
Airport-Haao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	–	Business combinations involving enterprises not under common control
Hengfengxin Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation



## VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

### 1. Interests in subsidiaries (continued)

#### (1). Group companies forming the Group (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		
				Direct	Indirect	Acquired through
Consulting Company (a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Construction consulting	24%	–	Business combinations involving enterprises not under common control
Testing Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Construction quality testing	–	24%	Business combinations involving enterprises not under common control
Information Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Computer Information System Integration	–	24%	Incorporation
Shenzhen Expressway Finance I Limited	The British Virgin Islands	The British Virgin Islands	Investment holding	–	100%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	–	100%	Business combinations involving enterprises not under common control
Qinglong Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	40%	10%	Business combinations involving enterprises not under common control
Hengtongsheng Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation

(a) As at 1 July 2015, the shareholders of Consulting Company amended the provisions of the article that the Company was entitled to nominate four out of seven directors in the board of directors and re-elected the board of Consulting Company. The Company then gained control in the significant operational and financial decisions of Consulting Company from 1 July 2015 onwards. Accordingly, Consulting Company became a consolidating subsidiary of the Company and the Company began to consolidate the financial statements of Consulting Company from then onwards.

(b) Qinglong Company was an associate of the Company, of which 40% equity interests were held by the Company till 29 October 2015. As at 30 October 2015, a wholly owned subsidiary of the Company, Mei Wah Company, acquired 100% equity shares of Fameluxe Investment at the consideration of RMB280 million (tentative). Fameluxe Investment held 10% equity interests of Qinglong Company. After the completion of the transaction, the Company held 50% equity interests of Qinglong Company in total. As at 30 October 2015, the Board of Qinglong Company revised the articles of association. Therefore, board members with nomination right of the Group increased from 2 to 5 (7 in total), and the new Board of Directors was re-elected. Henceforth, the Company possessed substantial control of important operating and financial decision of Qinglong Company, thus Qinglong Company was consolidated as a subsidiary from 30 October 2015.

#### (2) Subsidiaries with material minority interests

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the period ended 30 June 2016	Dividend declared by subsidiaries to the minority shareholders for the period ended 30 June 2016	Minority interests as at 30 June 2016
Qinglian Company	23.63%	4,581,431.77	–	605,684,735.45
JEL Company	45%	23,352,350.62	42,544,774.10	338,927,081.12
Guishen Company	30%	16,052,604.17	–	238,175,321.65
Qinglong Company	50%	25,771,138.24	36,501,685.48	1,297,199,032.34
Consulting company	76%	9,079,107.34	4,357,096.79	107,634,454.14

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

#### 1. Interests in subsidiaries (continued)

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

Name of subsidiaries	30 June 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	112,147,373.89	7,673,706,972.38	7,785,854,346.27	250,580,127.83	4,975,132,607.29	5,225,712,735.12
JEL Company	203,990,729.28	684,861,073.21	888,851,802.49	12,651,826.80	123,028,684.35	135,680,511.15
Guishen Company	1,256,083,350.91	103,907,688.69	1,359,991,039.60	563,304,477.74	2,768,402.45	566,072,880.19
Qinglong Company	84,167,162.75	4,405,240,734.91	4,489,407,897.66	67,004,327.52	1,828,005,505.47	1,895,009,832.99
Consulting Company	223,622,027.12	47,087,772.87	270,709,799.99	124,991,743.58	4,093,774.64	129,085,518.22

Name of subsidiaries	31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	133,388,916.32	7,806,223,673.29	7,939,612,589.61	251,979,735.50	5,146,879,443.45	5,398,859,178.95
JEL Company	209,802,776.83	731,516,415.98	941,319,192.81	14,643,838.10	130,854,233.43	145,498,071.53
Guishen Company	1,219,812,362.45	59,486,016.08	1,279,298,378.53	438,888,899.71	100,000,000.00	538,888,899.71
Qinglong Company	84,711,525.16	4,561,432,558.71	4,646,144,083.87	347,082,188.20	1,683,202,736.51	2,030,284,924.71
Consulting Company	250,303,801.16	46,572,672.89	296,876,474.05	157,003,980.23	4,461,383.83	161,465,364.06

Name of subsidiaries	For the six months ended 30 June 2016				For the six months ended 30 June 2015			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	346,507,046.02	19,388,200.48	19,388,200.48	269,726,156.91	327,139,785.76	-10,219,915.97	-10,219,915.97	234,311,481.78
JEL Company	170,411,622.78	51,894,112.49	51,894,112.49	88,538,314.73	163,687,778.81	53,412,619.36	53,412,619.36	86,743,993.57
Guishen Company	114,285.71	53,508,680.57	53,508,680.57	13,387,307.44	10,555,520.04	2,456,986.57	2,456,986.57	-81,896,095.28
Qinglong Company (a)	295,601,796.14	51,542,276.47	51,542,276.47	166,908,311.86	-	-	-	-
Consulting Company (a)	136,258,993.13	11,946,193.87	11,946,193.87	-37,833,711.06	-	-	-	-

(a) As the Consulting company and the Qinglong Company turn to be the Company's subsidiary on 1 July, 2015 and 30 October, 2015, the profit and loss items did not show the amount of the previous period.

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

As at 30 June 2016, no substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2015: nil).

**VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**

**2. Interests in joint ventures or associates**

**(1) Main financial information of insignificant joint ventures and associates**

	<b>As at and for the period ended 30 June 2016</b>	As at and for the period ended 30 June 2015
<b>Joint ventures:</b>		
Total book value of investment	<b>167,050,888.10</b>	165,579,108.30
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		
– Net profit	<b>11,979,828.32</b>	6,851,437.17
– Other comprehensive income	–	–
– Total comprehensive income	<b>11,979,828.32</b>	6,851,437.17
<b>Associates:</b>		
Total book value of investment	<b>4,422,291,008.99</b>	1,817,310,916.29
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	<b>108,725,519.12</b>	126,768,528.51
– Total comprehensive income	<b>108,725,519.12</b>	126,768,528.51

During current period, the directors of the Company considered that the Group has no material joint venture or associate (2015: the same) as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Group for the respective period.

**(2) Explanation to substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates**

As at 30 June 2016, there's no substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates (31 December 2015: Nil).

## Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

### VIII. FINANCIAL INSTRUMENTS AND RISK

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

#### 1. Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to HK dollars.

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

As at 30 June 2016 and 31 December 2015, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarised below:

Item	30 June 2016		
	HKD	Other foreign currencies	Total
<b>Financial assets denominated in foreign currency –</b>			
Cash at bank and on hand	5,570,915.83	100,718.19	5,671,634.02
Other receivables	972,539.05	–	972,539.05
<b>Total</b>	<b>6,543,454.88</b>	<b>100,718.19</b>	<b>6,644,173.07</b>
<b>Financial liabilities denominated in foreign currency –</b>			
Employee benefits payable	6,223.33	–	6,223.33
<b>Total</b>	<b>6,223.33</b>	<b>–</b>	<b>6,223.33</b>
	31 December 2015		
Item	HKD	Other foreign currencies	Total
<b>Financial assets denominated in foreign currency –</b>			
Cash at bank and on hand	1,200,772.29	98,613.38	1,299,385.67
Other receivables	887,990.72	–	887,990.72
<b>Total</b>	<b>2,088,763.01</b>	<b>98,613.38</b>	<b>2,187,376.39</b>

As at 30 June 2016 and 31 December 2015, the directors of the Company expects that there is no significant foreign exchange risk, since the balances of financial assets and liabilities denominated in foreign currency were immaterial.

**VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)****2. 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 30 June 2016, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB1,832,624,000.00 (31 December 2015: RMB2,371,928,764.00).

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 period, 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 RMB3,594,011.67 (for the same period in 2015: approximately RMB12,613,227.40).

**3. Credit risk**

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

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

Item	30 June 2016	31 December 2015
State-owned banks	<b>938,881,932.39</b>	2,956,678,979.73
Other banks	<b>2,508,432,263.33</b>	3,452,968,069.13
<b>Total</b>	<b>3,447,314,195.72</b>	6,409,647,048.86

It is expected that there is no significant credit risk associated with bank deposits as state-owned banks have support of government and others are listed banks or commercial banks at medium or large size. The directors do not expect any losses from non-performance by these counterparties.

Due to the business nature of the Group, as at 30 June 2016, the Group derived management services revenue and compensation resulted from the toll adjustment of Meiguan Expressway from local government authorities in Shenzhen and the amounts due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase II) Project were approximately RMB409 million (31 December 2015: RMB432 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.

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

#### 4. 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, meanwhile to maintain sufficient headroom on its undrawn committed borrowing facilities from major financial institution and ensure the Group does not breach borrowing limits or covenants.

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

	30 June 2016				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities –					
Current portion of non-current liabilities (Note b/c)	3,493,181,495.97	–	–	–	3,493,181,495.97
Payables (Note a)	1,054,949,188.21	–	–	–	1,054,949,188.21
Long-term borrowings	80,894,789.63	153,711,441.02	671,211,564.18	1,378,201,583.63	2,284,019,378.46
Bonds payables	79,950,000.00	79,950,000.00	1,067,950,000.00	888,000,000.00	2,115,850,000.00
Other non-current liabilities (Note c)	–	750,950,000.00	5,736,534,985.98	–	6,487,484,985.98
<b>Total</b>	<b>4,708,975,473.81</b>	<b>984,611,441.02</b>	<b>7,475,696,550.16</b>	<b>2,266,201,583.63</b>	<b>15,435,485,048.62</b>

	31 December 2015				Total
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	
Financial liabilities –					
Current portion of non-current liabilities (Note b)	1,865,655,847.57	–	–	–	1,865,655,847.57
Payables (Note a)	1,586,587,956.46	–	–	–	1,586,587,956.46
Long-term borrowings	112,274,198.05	382,978,091.86	678,262,526.46	1,628,233,733.06	2,801,748,549.43
Bonds payables	135,050,000.00	1,135,050,000.00	1,067,950,000.00	888,000,000.00	3,226,050,000.00
Other non-current liabilities	–	752,590,000.00	6,111,189,985.98	–	6,863,779,985.98
<b>Total</b>	<b>3,699,568,002.08</b>	<b>2,270,618,091.86</b>	<b>7,857,402,512.44</b>	<b>2,516,233,733.06</b>	<b>16,343,822,339.44</b>

Note a: Payables comprise accounts payable and other payables.

Note b: Including current portion of long-term borrowings, current portion of bond payables and current portion of other non-current liabilities, excluding current portion of provisions.

Note c: Other non-current liabilities and Current portion of non-current liabilities were the compensation related to toll adjustment of "Three Expressways", which were settled by the first stage of toll revenue and the second stage of final transaction consideration in subsequent annual. Details please refer to V.29(a).

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.

## IX. FAIR VALUE DISCLOSURE

The level of the result from calculation for the fair value is decided by the lowest level which the most important inputs of the fair value calculation belongs to.

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

The second level: The direct and indirect observable inputs other than that from the first level.

The third level: The unobservable inputs of the asset or liability.

As at 30 June 2016 and 31 December 2015, the group has no asset and liability which measured continuously by the three levels fair value method mentioned previously.

### 1. Financial 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, current portion of bond payables, accounts payable, long-term borrowings and bonds payable.

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

	30 June 2016		31 December 2015	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities –				
Current portion of bonds payables	2,498,291,916.96	2,520,474,895.09	1,499,997,000.00	1,514,410,024.63
Current portion of other non-current liabilities (Note a)	423,358,865.75	729,129,865.62	548,920,000.00	614,016,290.24
Bonds payable	1,693,471,369.32	1,784,683,867.04	2,690,329,788.48	2,789,194,244.29
Other non-current liabilities	6,087,928,140.32	5,808,615,460.25	6,065,310,000.00	6,034,251,595.47
<b>Total</b>	<b>10,703,050,292.35</b>	<b>10,842,904,088.00</b>	<b>10,804,556,788.48</b>	<b>10,951,872,154.63</b>

Note a: Current portion of other non-current liabilities represents compensations received relating to the toll adjustment of three Expressway

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

## Notes to Financial Statements

For the period ended 30 June 2016

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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

#### 1. General information of the parent company:

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

The Company's ultimate controlling party is SZ SASAC.

#### 2. Information of subsidiaries

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

#### 3. Information of joint ventures and associates

Joint ventures and associates who have related party transaction with the Group during the period ended 30 June 2016 or have related party balance with the Group resulted from related party transaction in prior years are listed as follows:

Item	Relationship with the Group
Consulting Company	Associated Enterprises (1 January 2015 to 30 June 2015)
Qinglong Company	Associated Enterprises (1 January 2015 to 29 October 2015)
Huayu Company	Associated Enterprises
Nanjing Third Bridge Company	Associated Enterprises
GZ W2 Company	Associated Enterprises
Joint Land Company	Associated Enterprises
Guizhou Bank	Associated Enterprises

Consulting Company and Qinglong Company was associate company in the comparative period. The comparative amount of related parties' transactions for the same period in 2015 included the transaction between both two companies and the Company.

#### 4. Information of other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Under same control of Shenzhen International
Shenzhen Longda Expressway Company Limited ("Longda Company")	Under same control of Shenzhen International
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Under same control of Shenzhen International
Xin Tong Chan Company	Shareholder of the Company
Coastal Company	One of its directors is the Company's key management personnel
United Electronic Company	One of its directors is the Company's key management personnel
Guangzhou Cement Company Limited	Minority interests of one subsidiary of Company
Shenzhen International Logistics Development Co., Ltd.	Under same control of Shenzhen International
Huayu Investment Group	Minority interests of one subsidiary of Company



**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)****5. Related party transactions****(1) Rendering or receiving of services***Receiving of services*

Name of related party	Nature of transaction	For the six months ended 30 June 2016	For the six months ended 30 June 2015
United Electronic Company	Receiving integrated toll system settlement services	<b>8,450,234.45</b>	7,512,689.91
Others	Receiving power supply services and others	<b>283,586.82</b>	414,091.79

United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of integrated toll system in Guangdong province. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide tolls settlement services for Meiguan Expressway, Airport-Heao Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway, Qinglian Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operation periods of individual toll roads. The related service charges are determined by commodity price bureau of Guangdong Province.

Advertising Company, subsidiary of the Company, received power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company, Coastal Company, Guangzhou Cement Company Ltd.. The respective transaction amounts were not disclosed as they are not material.

*Rendering of services*

Name of related party	Nature of transaction	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Coastal Company	Entrusted construction management services	<b>5,243,593.99</b>	16,300,576.86
Coastal Company	Supply of project consulting services	<b>448,301.89</b>	–
Others	Supply of water and electricity for offices	<b>488,996.00</b>	292,482.00

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. During the entrustment period, the Company operates and manages Coastal Company in accordance with the agreement to complete the construction and operation of the Coastal Project Phase I. Pursuant to the agreement, the management service revenue is calculated by 1.5% of the construction budget and the Company would share 20% of any savings of the total budgeted contract costs, which was also stated in the 'entrusted construction management agreement' signed by Coastal Company and the Company on 9 September 2011. During the period, the Group recognised construction management services fee amounting to RMB5,243,593.99 in accordance with the latest total investment top limit and the estimation of project savings (the same period in 2015: RMB16,300,576.86). The Group also recognized operating management services fee during this period. Please refer to Note X.5(2) for more details.

Consulting Company, the subsidiary of the Company, supplies project consulting services to Coastal Company. The Company supplied water and electricity to Shenzhen International, Huayu Comapany and United Electronic Company with prices determined based on those charged by water and electricity supply companies. These amounts were not disclosed as they are not material.

## Notes to Financial Statements

For the period ended 30 June 2016  
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### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 5. Related party transactions (continued)

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

The company trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised for the six months ended 30 June 2016
Baotong Company	The Company	Equity trusteeship	1 January 2016	31 December 2018	Negotiated price	8,830,556.12
Coastal Company	The Company	Equity trusteeship	1 January 2014	31 December 2016	Negotiated price	42,452,830.19

The Company entrusted by Baotong Company to operate and manage Longda Expressway by an agreement of equity trusteeship. The Company renew the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service revenue is RMB18million per year with tax. During the period, the Company recognized the management fee amounted to RMB8,830,556.12 (the same period in 2015: RMB9,000,000.00).

The Company signed an "operating management entrustment agreement" on June 2016. The Coastal Company entrusted operating management of Coastal project Phase I from January 1 2014 to December 31 2016. Pursuant to the agreement, the management service revenue is RMB18million per year with tax. During the period, the Company recognized the management fee amounted to RMB42,452,830.19 (the same period in 2015: nil).

#### (3) Leases

As a Lessor:

Item	Assets leased	For the six months ended 30 June 2016	For the six months ended 30 June 2015
United Electronic Company and Consulting Company	Office building	141,724.00	438,895.00

As a Lessee:

Item	Assets leased	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Coastal Company	Building	133,560.00	—
Longda company, Huayu company, Qinglong company, SC Logistics Company	Billboard land use rights	1,360,000.00	1,480,000.00

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

**X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)**

**5. Related party transactions (continued)**

**(4) Remuneration of key management personnel**

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Remuneration of key management personnel	<b>3,742,500.00</b>	4,008,000.00

**(5) Others**

Name of related party	Nature of transaction	For the six months ended 30 June 2016
Shenzhen International	Disposal all of the equity and debt of Guizhou Pengbo	<b>94,583,136.00</b>
Shenzhen International	Disposal 51% of shares of Guizhou Hengtongli	<b>43,991,069.49</b>

On 30 December 2015, Guizhou Land Company and Shenzhen International Logistics Development Co., Ltd. signed "Agreement of Equity and Debts Transfer" to dispose all of the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli. Details please refer to Note VI.2.

**6. Receivable due from and payables to related parties**

**(1) Receivable items**

Item	Related parties	30 June 2016		31 December 2015	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivables	Coastal Company	<b>286,499,290.38</b>	-	281,255,696.39	-
Accounts receivables	Baotong Company	<b>2,337,298.33</b>	-	2,337,298.33	-
Accounts receivables	Longda company	<b>20,050.00</b>	-	20,050.00	-
Dividends receivables	Guizhou Bank	<b>38,200,000.00</b>	-	-	-
Other receivables	Shenzhen International Logistics Development Co., Ltd	<b>69,287,102.74</b>	-	-	-
Other receivables	United Land Company	<b>28,328,230.00</b>	-	28,328,230.00	-
Other receivables	Huayu Company	<b>479,701.88</b>	-	20,000.00	-
Other receivables	Huayu Investment	<b>29,920.77</b>	-	31,580,381.94	-
Other receivables	Longda Company	<b>10,000.00</b>	-	10,000.00	-
Other receivables	Coastal Company	-	-	3,918,992.36	-

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(All amounts in RMB unless otherwise stated)

### X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

#### 6. Receivable due from and payables to related parties (continued)

##### (2) Payable items

Item	Related parties	30 June 2016	31 December 2015
Accounts payable	Coastal Company	1,015,000.00	1,015,000.00
Accounts payable	United Electronic Company	883,141.63	101,665.72
Accounts payable	Longda company	810,000.00	25,000.00
Accounts payable	SC Logistics Company	175,000.00	12,000.00
Accounts payable	Huayu Company	15,000.00	16,000.00
Accounts payable	Shenzhen International	1,500.00	1,200.00
Advances from related parties	Coastal Company (Phase II)	33,207,547.17	–
Advances from related parties	Coastal Company (Phase I)	1,476,816.00	744,000.00
Advances from related parties	SIHCL	–	767,828.50
Other payables	GZ W2 Company	40,750,000.00	40,750,000.00
Other payables	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
Other payables	United Electronic Company	1,710,526.90	384,999.13
Other payables	Coastal Company	499,665.38	–
Other payables	Guangzhou Cement Company Limited	100,000.00	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00

#### 7. Commitments to related parties

On 30 June 2016, the Group has no investment commitments to related parties (31 December 2015: RMB1,896,300,000.00). The investment commitment to United Land has realized in this period. Details please refer to Note V.11(3).

### XI. COMMITMENTS AND CONTINGENCIES

#### 1. Significant commitments

##### (1) Capital commitment

(a) Capital commitments approved by the management but are not yet contracted for as of balance sheet date:

	30 June 2016	31 December 2015
Expressway construction projects	3,647,037,248.72	122,367,117.88

As at 30 June 2016 and 31 December 2015, the joint ventures had no capital commitments.

##### (2) Commitment in related to real estate projects to be developed

	30 June 2016	31 December 2015
Contracted for but not yet recognised	3,113,148,799.61	104,797,401.76

##### (3) Investment commitment

As at 30 June 2016, the Group has no investment commitments (31 December 2015: RMB1,896,300,000.00). Detailed information is disclosed in Note X.7.

## XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

### 2. Contingencies

#### (1) Significant contingencies at balance sheet date:

- (a) The Company was entrusted by Shenzhen Transportation Bureau to manage the construction project of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Transportation Bureau amounting to RMB15 million.
- (b) The Company was entrusted by Shenzhen Traffic Public Facilities Construction Center to manage the construction project of Longda Municipal Section. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2 million.
- (c) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of the Intersection of Dezheng Road Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB35,850,000.00.
- (d) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the node road rebuilding project of Renmin road-Meiguan expressway. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB25,273,500.00.
- (e) Consulting Company, a subsidiary of the Company, was entrusted to carry out business regarding construction consulting, exploration and design, project construction, test and detection, etc. In accordance with relevant commission contract, Consulting Company arranged with bank to issue irrevocable performance guarantees to the trustor amounting to RMB103,383,105.52.
- (f) As at 30 June 2016, the Company guaranteed banks for its mortgaged home owners with associated surety responsibility amounting to RMB63,840,000.00. According to the the relevant provisions, the Company had the responsibility to repay the loan as well as its related interests and forfeit if mortgaged home owners default on loans. As a result, the Company could repossess the ownership of the house. The period of guarantee started from the date the bank released the loan to the date the mortgaged home owner obtained the certificate of the house ownership. The board said that the value of owned mortgage is enough to cover the loan as well as its related interests and forfeit, so the board hadn't arranged provisions to such guarantees.
- (g) 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 Court of Guangdong Province. The High Court of Guangdong Province judged it back to The Intermediate Court of Qingyuan City for retrial and Qinglian Company was still judged to win. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Court of Guangdong Province again and the court session opened on 17 May 2016 for this litigation. As at the date of approval of these interim 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.

## Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

### XII. EVENTS AFTER THE BALANCE SHEET DATE

1. The resolution on “The Grant of a General Mandate to the Board of Directors of the Company to Issue Debenture” has been considered and approved by the shareholders at the General Meeting of the Company held on 19 May 2016, granting the general mandate to the board of directors of the Company. On 18 July 2016, the Group issued the Bonds of US\$300,000,000 which is due on 18 July 2021 (the “Bonds”). The issue price is equal to 99.46% of principal of the bonds with coupon rate at 2.875%. Interests will be paid each half year from 18 July 2016 to 18 July 2021 and principal will be paid at once on due date. The bonds are mainly used for repaying bank loans and supporting operating working capital to the Group.
2. The Company is entrusted by Coastal Company to operate and construct Coastal Project Phase II. Pursuant to the agreement of trusteeship of construction management, the Company had arranged with bank to issue irrevocable performance guarantees to Coastal Company amounting to RMB100,000,000.00.

### XIII. OTHER SIGNIFICANT MATTERS

#### 1. Segment information

##### (1) The recognition and accounting policies of reportable segment:

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 construction management services, advertising services property development and other services. The Group has no inter-segment transfers. These businesses do not compose separate reportable segments.

**XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**
**1. Segment information (continued)**
**(2) Segment information**

For the six months ended 30 June 2016	Toll road	Others	Unallocated	Total
Revenue from external customers	1,765,702,337.47	297,425,811.97	–	2,063,128,149.44
Interest income	42,978,095.35	6,499,406.82	1,588,991.45	51,066,493.62
Interest expenses	315,488,392.38	5,573,241.24	–	321,061,633.62
Share of profit of associates and joint ventures	122,474,777.67	-1,769,430.23	–	120,705,347.44
Depreciation and amortisation	585,085,131.22	12,344,935.06	3,279,233.46	600,709,299.74
Total profit	711,007,910.31	112,162,563.18	41,160,546.65	864,331,020.14
Income tax expense	148,079,999.24	22,510,381.19	–	170,590,380.43
Net profit	562,927,911.07	89,652,181.99	41,160,546.65	693,740,639.71
Total assets	25,664,931,076.92	5,292,417,708.11	205,375,293.99	31,162,724,079.02
Total liabilities	15,043,982,728.69	946,923,709.45	341,614,427.44	16,332,520,865.58
Long-term equity investments in associates and joint ventures	1,433,795,867.30	3,155,546,029.79	–	4,589,341,897.09
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	42,998,877.80	14,543,733.86	839,718.40	58,382,330.06
For the six months ended 30 June 2015	Toll road	Others	Unallocated	Total
Revenue from external customers	1,395,197,434.09	104,420,548.35	–	1,499,617,982.44
Interest income	60,857,155.99	12,831,724.98	3,045,094.10	76,733,975.07
Interest expenses	229,121,315.85	7,055,645.63	–	236,176,961.48
Share of profit of associates and a joint venture	132,650,683.36	969,282.25	–	133,619,965.61
Depreciation and amortisation	403,874,180.20	12,065,585.32	2,805,713.40	418,745,478.92
Total profit	677,895,383.63	45,919,748.38	-22,470,946.25	701,344,185.76
Income tax expense	129,628,299.84	10,399,302.95	–	140,027,602.79
Net profit	548,267,083.79	35,520,445.43	-22,470,946.25	561,316,582.97
Total assets	22,301,178,549.69	1,746,789,235.95	157,762,013.50	24,205,729,799.14
Total liabilities	11,274,857,261.12	167,141,539.96	90,159,348.58	11,532,158,149.66
Long-term equity investments in associates and a joint venture	1,692,315,853.28	576,686,930.51	–	2,269,002,783.79
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	45,199,342.30	4,657,899.49	309,761.00	50,167,002.79

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

#### 1. Segment information (continued)

#### (3) Other instructions

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

### XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

#### 1. Accounts receivables

#### (1) Accounts receivable is analysed by categories as follows:

	30 June 2016					31 December 2015				
	Ending balance		Provision for bad debts		Net book amount	Ending balance		Provision for bad debts		Net book amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	492,948,618.06	100.00	-	-	492,948,618.06	495,255,623.24	100.00	-	-	495,255,623.24
- Group 1	473,161,292.58	95.99	-	-	473,161,292.58	464,820,092.41	93.85	-	-	464,820,092.41
- Group 2	19,787,325.48	4.01	-	-	19,787,325.48	30,435,530.83	6.15	-	-	30,435,530.83
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>492,948,618.06</b>	<b>/</b>	<b>-</b>	<b>/</b>	<b>492,948,618.06</b>	<b>495,255,623.24</b>	<b>/</b>	<b>-</b>	<b>/</b>	<b>495,255,623.24</b>

The accounts receivable of provision for bad debts in Group 2 by aging is analysed as follows:

Aging	30 June 2016		
	Accounts receivables	Provision for bad debts	Provision for bad debts
Within 1 year	19,387,325.48	-	-
1 to 2 years	400,000.00	-	-
<b>Total</b>	<b>19,787,325.48</b>	<b>-</b>	<b>-</b>

#### (2) The five largest accounts receivables assembled by debtors

	Ending balance	Provision for bad debts	% of Accounts receivables
Total balance of the five largest accounts	474,995,387.24	-	96.36%



**XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**
**2. Other receivables**
**(1) Other accounts receivable is analysed by categories as follows:**

	30 June 2016					31 December 2015				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	%	Amount	%	Net book amount	Amount	%	Amount	%	Net book amount
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	901,949,417.94	100.00	-	-	901,949,417.94	1,269,557,969.42	100.00	-	-	1,269,557,969.42
– Group 1	900,694,219.64	99.86	-	-	900,694,219.64	1,268,960,891.68	99.95	-	-	1,268,960,891.68
– Group 2	1,255,198.30	0.14	-	-	1,255,198.30	597,077.74	0.05	-	-	597,077.74
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>901,949,417.94</b>	<b>/</b>	<b>-</b>	<b>/</b>	<b>901,949,417.94</b>	<b>1,269,557,969.42</b>	<b>/</b>	<b>-</b>	<b>/</b>	<b>1,269,557,969.42</b>

The accounts receivable of provision for bad debts in Group 2 by aging is analysed as follows:

Aging	30 June 2016		
	Accounts receivables	Provision for bad debts	%
Within 1 year	1,245,988.30	-	-
1 to 2 years	2,560.00	-	-
2 to 3 years	6,650.00	-	-
<b>Total</b>	<b>1,255,198.30</b>	<b>-</b>	<b>-</b>

**(2) Other receivable by nature are analysed as follows:**

Nature	30 June 2016	31 December 2015
Loans to related companies	302,793,600.58	913,563,870.59
Advances	577,197,787.09	354,296,038.18
Others	21,958,030.27	1,698,060.65
<b>Total</b>	<b>901,949,417.94</b>	<b>1,269,557,969.42</b>

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

Categories	Nature	30 June 2016	aging	%	Balance of provision for bad debts
Airport-Heao East Company	Advances	334,692,216.93	Within 1 year	37.11	-
Investment Company	Loans	260,000,000.00	Within 1 year	28.83	-
Mei Wah Company	Advances	201,724,933.16	Within 1 year	22.37	-
Qinglian Company	Loans	42,793,600.58	Within 1 year	4.74	-
Shenzhen Longhua New District Municipal Government	Advances	40,780,637.00	Within 1 year	4.52	-
<b>Total</b>	<b>/</b>	<b>879,991,387.67</b>	<b>/</b>	<b>97.57</b>	<b>-</b>

## Notes to Financial Statements

For the period ended 30 June 2016  
(All amounts in RMB unless otherwise stated)

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

#### 3. Long-term equity investments

Item	30 June 2016			31 December 2015		
	Carrying amount	Impairment provided in current period	Net book amount	Carrying amount	Impairment provided in current period	Net book amount
Subsidiaries	5,374,930,919.84	678,765,149.21	4,696,165,770.63	5,421,798,100.36	678,765,149.21	4,743,032,951.15
Joint ventures and associates	4,543,467,378.64	-	4,543,467,378.64	1,978,786,046.22	-	1,978,786,046.22
<b>Total</b>	<b>9,918,398,298.48</b>	<b>678,765,149.21</b>	<b>9,239,633,149.27</b>	<b>7,400,584,146.58</b>	<b>678,765,149.21</b>	<b>6,721,818,997.37</b>

#### (1) Investment in Subsidiaries

Investee	31 December 2015	Additional injection	Investment cost recovered	30 June 2016	Cash dividend declared	Impairment provided on June 2016
Airport-Heao Eastern Company	820,681,839.52	-	45,951,627.34	774,730,212.18	120,656,118.77	-
Meiguan Company	532,358,498.56	-	915,553.18	531,442,945.38	17,626,786.10	-
Qinglong Company	164,269,052.70	-	-	164,269,052.70	29,201,348.38	-
Advertising Company	3,325,000.01	-	-	3,325,000.01	24,633,542.95	-
Mei Wah Company	831,769,303.26	-	-	831,769,303.26	-	-
Qinglian Company	1,385,448,900.00	-	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	-	-	100,000,000.00	-	-
Expressway Investment Company	380,000,000.00	-	-	380,000,000.00	-	-
Luyun Company	500,000,000.00	-	-	500,000,000.00	-	-
Consulting Company	25,180,357.10	-	-	25,180,357.10	1,375,925.31	-
<b>Total</b>	<b>4,743,032,951.15</b>	<b>-</b>	<b>46,867,180.52</b>	<b>4,696,165,770.63</b>	<b>193,493,721.51</b>	<b>678,765,149.21</b>

#### (2) Investment in joint ventures and associates

The detailed information of joint ventures and associates are set out in Note V.11. Except for the investment in joint venture company named Gansu Provincial Highway Aviation Tourism Consulting Company and associate company named Guizhou Hengtongli Property Company, other Investments in joint ventures and associates are held by the Company.

#### 4. Revenue and costs of services:

Item	For the six months ended 30 June 2016		For the six months ended 30 June 2015	
	Revenue	Cost	Revenue	Cost
Main businesses	608,329,186.62	224,938,460.31	559,293,526.23	209,740,454.80
Other businesses	102,681,562.70	57,154,818.95	38,396,711.91	13,244,299.98
<b>Total</b>	<b>711,010,749.32</b>	<b>282,093,279.26</b>	<b>597,690,238.14</b>	<b>222,984,754.78</b>

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

##### 5. Investment income

Item	For the six months ended 30 June 2016	For the six months ended 30 June 2015
Income from long-term equity investments under cost method	193,493,721.51	184,005,874.70
Income from long-term equity investments under equity method	121,200,736.87	133,619,965.68
Income from available-for-sale financial assets	38,200,000.00	3,000,000.00
Income from financial products	2,274,851.49	–
<b>Total</b>	<b>355,169,309.87</b>	<b>320,625,840.38</b>

#### XV. SUPPLEMENTARY INFORMATION

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

Item	Amount	Note
Profits from entrusted management services	50,620,981.13	Profits from entrusted management services provided to Coastal Company and Longda Company in current period.
Gain on disposal of non-current assets	48,535,491.48	Gain on transfer of all of the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli.
Gain on revaluation of remaining equity's fair value after losing control	16,673,414.89	Gain on revaluation of the remaining 49% equity of Guizhou Hengtongli.
The amortisation of compensation provided by concession grantor	10,521,040.06	The amortisation of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognised in current period according to traffic volume method which disclosed as a deduction of the amortisation of the related concession intangible assets.
Income from financial products	3,240,992.51	
Interest income from the compensation resulted from the toll adjustment of Meiguan Expressway and "Three Expressways"	2,395,672.00	
Other profit or loss items that meet the definition of non-recurring profit or loss	753,007.04	
Impact of income tax	-17,707,096.99	
<b>Total</b>	<b>115,033,502.12</b>	
Impact of minority interests (after tax)	18,704,123.67	
Non-recurring profit or loss attributable to owners of the Company	96,329,378.45	

## Notes to Financial Statements

For the period ended 30 June 2016

(All amounts in RMB unless otherwise stated)

### XV. SUPPLEMENTARY INFORMATION (CONTINUED)

#### 1. Detailed list of non-recurring profit or loss items (continued)

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

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

#### 2. Return on net assets and earnings per share

Profits of reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	4.90	0.282	0.282
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	4.13	0.238	0.238

# Company Information

## I. Company Profile

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

## II. Contact Information

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

## III. General Information

Registered address and place of business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	<a href="http://www.sz-expressway.com">http://www.sz-expressway.com</a>
E-mail	ir@sz-expressway.com
Place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

## Company Information

### IV. Information Disclosure and Site for Inspection

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

### V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Shanghai Stock Exchange	11 Shenzhen Expressway <sup>Note1</sup>	122085
Bond	The Stock Exchange of Hong Kong Limited	SZEW B2107 <sup>Note2</sup>	5684

- Note:
1. "11 Shenzhen Expressway" has been delisted since 27 July 2016.
  2. "SZEW B2107" has been listed on HKEx since 19 July 2016.

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



**SHENZHEN EXPRESSWAY COMPANY LIMITED**

[www.sz-expressway.com](http://www.sz-expressway.com)