



SHENZHEN EXPRESSWAY COMPANY LIMITED

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



Interim Report

2014



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

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

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









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Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain "forward-looking statements". These forward-looking statements include, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company. Statements with words or phrases containing "anticipate", "expected", "plan", "believe", "estimate" and similar expressions are intended to identify a number of these forward-looking statements. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Users of this report are cautioned that most of these factors are not under the control of the Company and may affect the performance, operations and actual results of the Company. Affected by these factors, the future results of the Company may substantially differ from these forward looking statement. Users of this report should consider the aforesaid and other factors, and should not place undue reliance on such "forward-looking statements". In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of these forward-looking statements.

Important Notice

-  The Board, the Supervisory Committee and the Directors, the Supervisors, the Senior Management of the Company confirm the truthfulness, accuracy and completeness of the content of this 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.
-  Mr. ZHANG Li Min, Independent Director, was unable to attend the twenty-first meeting of the sixth session of Board in which this interim report was approved in person due to work engagement, and had appointed Mr. AU Sing Kun, Independent Director, to attend and vote on his behalf.
-  The 2014 interim financial statements of the Company have not been audited.
-  The 2014 interim financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Listing Rules of HKEx.
-  Mr. YANG Hai, Chairman, Mr. WU Ya De, President, Ms. GONG Tao Tao, Financial Controller, and Mr. SUN Bin, General Manager of Finance Department, declare and confirm the truthfulness, accuracy, and completeness of the financial statements contained in this interim report.
-  The Board does not recommend any payment of interim dividend for the six months ended 30 June 2014 (2013 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.
-  There is no external guarantee in violation of decision-making procedures in the Company.
-  There is no non-operating fund occupancy by the controlling shareholders and its related parties in the Company.

Other notes:

- 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.
- For the abbreviation of the Company's highways/projects, invested companies, and other common terms, please refer to Chapter VII and Chapter I of this report.

Introduction to the Company

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

As at the end of the Reporting Period, the Company operated and invested a total of 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) is approximately 413 km. 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 related to project development and management, advertising, construction consulting, and inter-network toll collection.



Note: For the basic information of the Company, please refer to Chapter VI of this report.

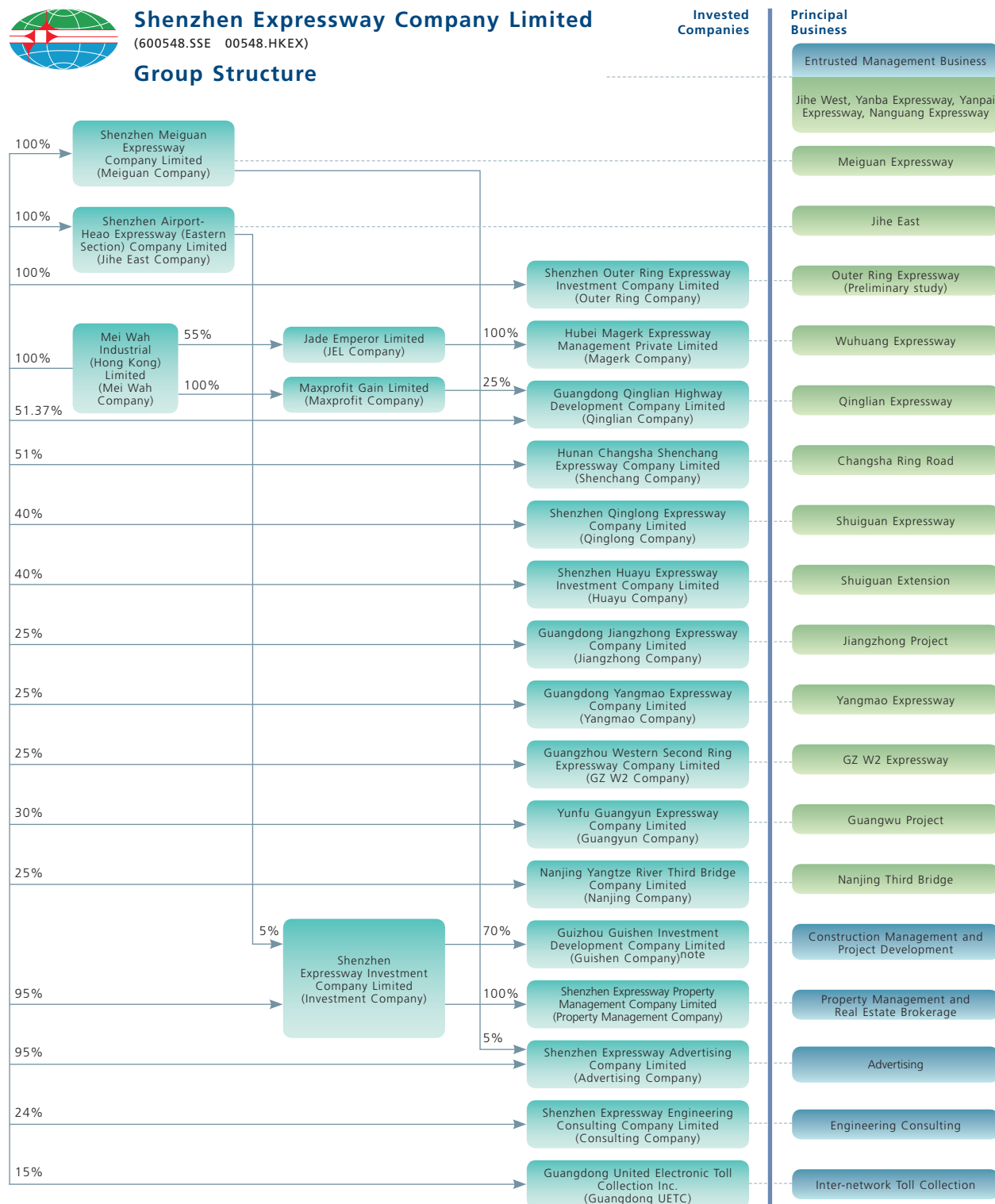
Introduction to the Company



Shenzhen Expressway Company Limited

(600548.SSE 00548.HKEX)

Group Structure



Note: There are several wholly-owned subsidiaries under Guishen Company, including: Guizhou Shenzhen Expressway Property Company Limited (Property Company), Guizhou Shengbo Property Company Limited (Shengbo Company), Guizhou Yuelong Investment Company Limited (Yuelong Company), and Guizhou Pengbo Investment Company Limited (Pengbo Company).
 Remarks: The English names of certain PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

■ Toll Highway Business
 ■ Other Businesses

Financial Highlights

I. Principal Financial Data and Indicators for the Reporting Period

1. Principal Financial Data

Item (Unit: RMB)	The Period (Unaudited)	2013 Interim (Unaudited)	Change
Revenue	1,928,046,255.53	1,489,044,938.80	29.48%
Net profit attributable to owners of the Company	1,697,330,182.85	385,542,987.48	340.24%
Net profit attributable to owners of the Company – excluding non-recurring items	536,124,693.27	372,636,162.07	43.87%
Net cash flows from operating activities	784,493,868.47	809,546,155.31	-3.09%

Item (Unit: RMB)	As at 30 Jun 2014 (Unaudited)	As at 31 Dec 2013 (Restated ^(note))	Change
Total assets	25,593,246,447.30	22,840,107,479.91	12.05%
Net assets attributable to owners of the Company	11,323,044,426.65	9,974,420,429.05	13.52%

Note: Since 1 January 2014, the two new/revised accounting standards issued by Ministry of Finance in March 2014 had been early adopted by the Group. Accordingly, certain accounting items were reclassified and retrospective adjustment was applied to the relevant items of the comparative financial statements of 2013. For details, please refer to the illustration set out in Chapter III of this report. Each of the financial data contained in this table as at the end of prior year is consistent before and after adjustment.

Financial Highlights

2. Principal Financial Indicators

Item (Unit: RMB, unless otherwise stated)	The Period (Unaudited)	2013 Interim (Unaudited)	Change
Earnings per share – basic	0.778	0.177	340.24%
Earnings per share – diluted	0.778	0.177	340.24%
Earnings per share – basic (excluding non-recurring items)	0.246	0.171	43.87%
Return on equity – weighted average (%)	15.77%	3.98%	Increase 11.79 pct.pt
Return on equity – weighted average (%) (excluding non-recurring items)	4.98%	3.85%	Increase 1.13 pct.pt

3. Non-recurring Items and Amounts

Item (Unit: RMB)	The Period
Profit from entrusted operation management services	8,495,100.00
The amortisation of compensation provided by concession grantor	9,602,501.85
The gain on disposal of assets of Toll Free Section of Meiguan Expressway	1,499,322,223.93
The interest income from the compensation receivables of toll collection adjustment of Meiguan Expressway	32,158,945.42
Other non-operating income and expenses	6,245,191.86
Income tax effect	(394,647,647.93)
Effect on minority interests (after tax)	29,174.45
Total	1,161,205,489.58

Note: For details of these items, please refer to the Supplementary Information for Financial Statements in Chapter V of this report.

II. Financial Highlights for Five Years

Item (Unit: RMB million, unless otherwise stated)	2013	2012	2011	2010 (Restated)	2009 (Restated)
Revenue	3,279	3,135	2,952	2,765	1,840
<i>Of which: Toll Revenue</i>	<i>2,898</i>	<i>2,726</i>	<i>2,716</i>	<i>2,615</i>	<i>1,733</i>
Net profit	720	685	875	746	540
Net cash flows from operating activities	1,761	1,531	1,508	1,887	1,012
Net cash inflows from operating activities and cash return on investments	1,854	1,617	1,633	2,041	1,253
Earnings per share (RMB)	0.330	0.314	0.401	0.342	0.248
Cash dividend per share (RMB)	0.16	0.13	0.16	0.16	0.12

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

Description on the restatement:

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

Description of principal financial ratios:

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

Debt-to-asset ratio = Total liabilities / Total assets

Net borrowings-to-equity ratio = (Total amount of borrowings – Cash and cash equivalents) / Total equity



CHAPTER III

Management Discussion & Analysis

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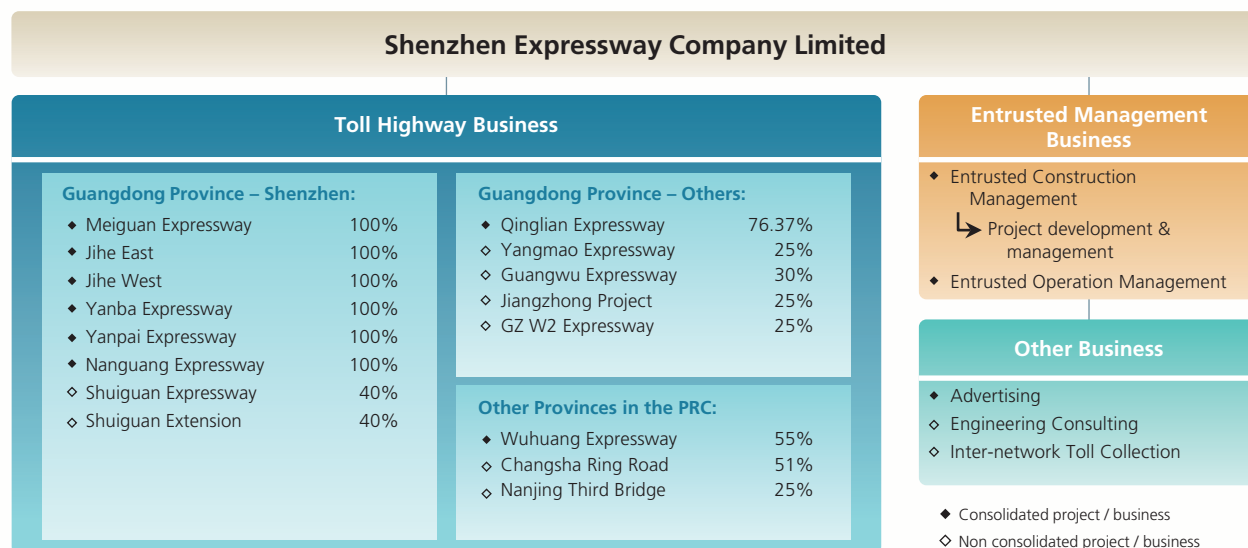


Management Discussion & Analysis

Section 1 – Business Review



The Group's revenues and profits are mainly derived from toll highway operations and investments. As at the end of the Reporting Period, the Company operated and invested a total of 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) is approximately 413 km. 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 recent years, the Group has earnestly managed the toll highway projects and focused on improving overall return on assets. Meanwhile, it steadily develops the entrusted management business, prudently attempts to enter into new types of business, to further drive the earning growth and achieve sustainable development of the Group.

I. Toll Highway Business

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

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) ⁽¹⁾			Average daily toll revenue (RMB'000)		
	2014 Interim	2013 Interim	Change	2014 Interim	2013 Interim	Change
Guangdong Province – Shenzhen region:						
Meiguan Expressway ⁽²⁾	96	123	N/A	546	765	N/A
Jihe East	170	136	24.3%	1,460	1,220	19.7%
Jihe West	134	115	16.4%	1,135	986	15.0%
Yanba Expressway ⁽³⁾	31	28	11.4%	456	402	13.4%
Yanpai Expressway	53	45	18.6%	538	486	10.8%
Nanguang Expressway	80	68	18.2%	787	713	10.3%
Shuiguan Expressway	158	146	8.3%	1,298	1,223	6.2%
Shuiguan Extension	55	33	69.5%	212	155	36.3%
Guangdong Province – other regions:						
Qinglian Expressway	33	27	20.9%	2,243	1,894	18.4%
Yangmao Expressway	34	31	10.1%	1,559	1,477	5.5%
Guangwu Project	33	26	27.9%	780	703	10.9%
Jiangzhong Project	96	85	13.6%	976	895	9.1%
GZ W2 Expressway	44	39	14.0%	847	765	10.8%
Other Provinces in the PRC:						
Wuhuang Expressway	40	39	2.8%	933	1,061	-12.0%
Changsha Ring Road	16	13	17.5%	155	126	22.7%
Nanjing Third Bridge	29	30	-1.4%	1,135	1,128	0.6%

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. As there is a relatively great change on the toll mileage, no YOY change data has been provided for the Reporting Period.
- (3) For the convenience of residents in Shenzhen to go to the eastern coast for leisure and vacation, the government has made collective payment to the Company for the vehicles travelling to and from Yantian and Dameisha ramp based on the agreed standards and methods since February 2007. During 2013 to 2017, toll fees paid by the government as agreed are RMB19 million annually, which will be included in the toll revenues of Yanba Expressway on a monthly basis. Arrangement after 2017 will be negotiated and confirmed by both parties before the expiry of the agreement.

Management Discussion & Analysis

Section 1 – Business Review

The performance of the toll highway projects were affected by the combination of such factors as the development of macro-economy and regional economies, policy on the industry, conditions of the projects and changes in road networks. A detailed analysis for the Reporting Period is set out as follows:

Economic Environment –

During the first half of 2014, the GDP of the PRC recorded a growth of 7.4% and the GDP of Guangdong Province recorded a growth of 7.5% on a YOY basis respectively. The macro-economy was generally stable, providing a good foundation for the normal operation of the toll highway projects. During the Reporting Period, the aggregate cargo throughput at Shenzhen Ports decreased. However, the cargo throughput at Yantian port maintained a YOY growth of 5%, bringing further positive effect on the operational performance of connected projects such as Yanba Expressway and Yanpai Expressway.

Source of data: Governmental statistics information website, the website of Shenzhen Yantian Port Holdings Co., Ltd.

Policy Environment –

During the first half of 2014, there was no material change on toll highway industry policies.

Pursuant to the unified arrangements in Guangdong Province, the expressway projects in the province implemented the Inter-network Toll of “one network” commencing on 29 June 2014 and fully implemented the toll-by-weight for freight vehicles at the same time. After the provincial-wide inter-network Toll was implemented, the traffic efficiency on the roads would be improved, providing drivers with more convenient and efficient traffic services. However, the reconstruction and integration of the system also increased the capital expenditure and brought new subject areas and challenges for operation management to the Company. For toll-by-weight policy, the northern, western and eastern district of Guangdong have implemented the policy in 2009 and 2011, respectively, which involved projects operated and invested by the Company, including Qinglian Expressway, Guangwu Project, Yangmao Expressway and Yanba Expressway. The central district of Guangdong officially implemented the policy commencing from the date of implementation of the provincial-wide inter-network Toll. With reference to the previous operational data, the toll-by-weight policy will have significant positive effect on the toll revenue collected from cross-province sections in the early stage of implementation, though the impact on projects in Central Guangdong will be relatively smaller since overloading is less common in these projects.

In recent years, Standardisation Scheme¹ has implemented in Guangdong Province, Toll Free Scheme on Holidays² and Green Passage Toll Free Policy³ have implemented nationwide, all of above mentioned policies have brought certain negative impact on the toll revenue of projects. In 2014, the impact of the above-mentioned policies still exists. However, the impact on YOY change of projects’ revenue has generally been eliminated. According to a rough calculation ^{Note} based on available data and historical data, the implementation of the Standardisation Scheme, Toll Free Scheme on Holidays and Green Passage Toll Free Policy have resulted in the decrease of approximately RMB176 million, RMB107 million and RMB32 million in toll revenue in the consolidated statements of the Group in 2014 Interim, respectively (2013 interim: RMB187 million, RMB84 million and RMB34 million).

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

- 1 **Standardisation Scheme:** The toll fees of the expressways in the province, starting from 1 June 2012, had been standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and subsequent adjustment was made for the increase of the toll fees as a result of the implementation of aforesaid scheme.
- 2 **Toll Free Scheme on Holidays:** Subject to the approval of the State Council, since the second half of 2012, the toll fees of toll highways for passenger cars with seven seats or less were waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off.
- 3 **Green Passage Toll Free Policy:** Since December 2010, Green Passage Toll Free Policy must be implemented in all expressway projects in China to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products.

Operating Condition and Environment –

The enhancement of highway network, the renovation of surrounding roads, the construction of the project itself and implementation of traffic organisation plans by the government will lead to changes in the traffic distribution within the road network, and thus may bring positive or negative impact on the operational performance of the specific project.

During the Reporting Period, the maintenance works for the road surface of Jihe West negatively affected the traffic conditions and operational performance of the project and the connected roads. The Company endeavors to minimise the adverse effects on the traffic capacity caused by the construction works by adopting such measures as improvement of the construction plans and implementation of reasonable traffic organisation plan, and without compromising the safety and quality of the construction works. The maintenance works had been completed in June 2014.

The reconstruction and expansion work of the northern Qinghu section of Meiguan Expressway was completed at the end of 2013. The negative impact of the construction work on traffic flow has been eliminated. In addition, benefiting from the enhanced traffic capacity after the expansion, the service level and performance of the project was further improved and elevated. Since 1 April 2014, the toll adjustment proposal of Meiguan Expressway was officially implemented, of which a mileage of 13.8km was toll free and the remaining 5.4km maintained toll, causing material changes to revenue structure of Meiguan Expressway. The average daily toll revenue of Meiguan Expressway in the first quarter of 2014 was RMB 853,000, with a YOY increase of 14.2%. As the toll mileage decreased, its average daily toll revenue in the second quarter was RMB 243,000. After the implementation of the toll adjustment proposal, the traffic volume for Toll Free Section increased rapidly. It did not only stimulate the traffic volume of Toll Section, but also enhanced the performance of Jihe Expressway. For details of the toll adjustment of Meiguan Expressway, please refer to the relevant content in *Development of Business* below.

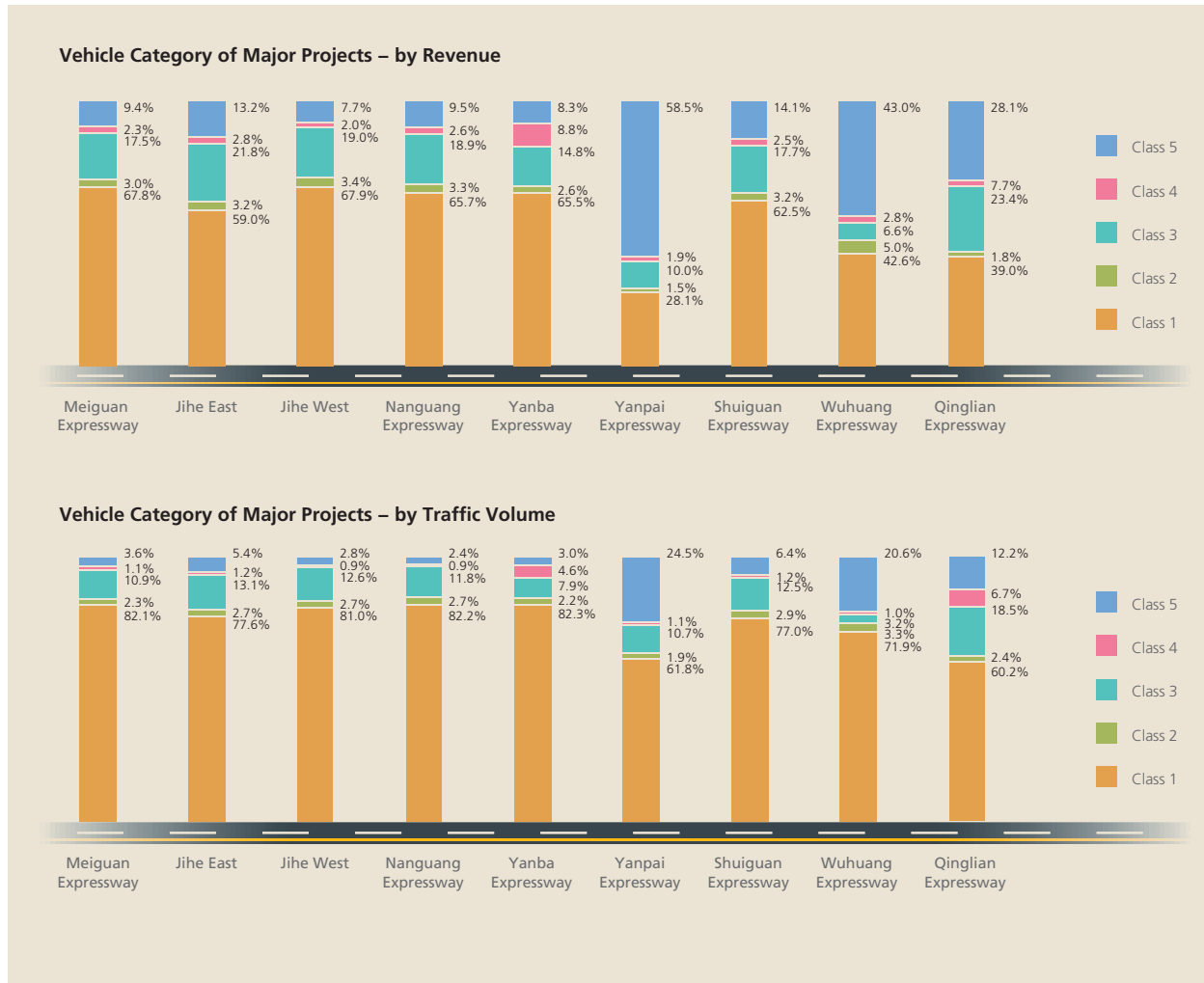
In addition, the projects such as the second phase of Qingping Expressway, Coastal Expressway and Boshen Expressway in Shenzhen and its neighbouring areas were completed and operated in succession in 2013, affecting the traffic distribution and composition in the road network of Shenzhen region. For instance, the opening of the second phase of Qingping Expressway has been driving the traffic volume of Jihe East and Shuiguan Extension but creating a negative impact on the performance of Shuiguan Expressway. The full opening of Coastal Expressway created slight diversion on the traffic of Nanguang Expressway. The New Terminal of Shenzhen Airport was opened in November 2013, boosting the traffic volume of Jihe Expressway and Nanguang Expressway.

During the Reporting Period, benefiting from the gradual improvement of neighboring road networks and consistent marketing measures, Qinglian Expressway maintained a good growth momentum. However, negatively affected by the further commencement of operation of road networks and the toll sharing model under inter-network toll collection, and the implementation of traffic control measures in Wuhan, Hubei Province, the toll revenue of Wuhuang Expressway recorded a YOY decrease of 12.0%. On the other hand, a restricted access measure on non-local heavy trucks and large buses was implemented in Nanjing city, which had a positive impact on the traffic volume of Nanjing Third Bridge, though vehicles which travel between Hefei and Shanghai have no need to travel through Nanjing after the commencement of operation of Maanshan Yangtze River Bridge in the end of 2013, this caused a certain diversion to the traffic of Nanjing Third Bridge. Therefore, the overall performance of the project during the Reporting Period was stable, with the average daily toll revenue flat with that for the same period of the previous year.

Management Discussion & Analysis

Section 1 – Business Review

Reference information:



Note: For the details of monthly operational statistics, toll fees and classification of vehicles for each project, please refer to "Investor Relations – Operational Statistics" and "Company Business – Toll Roads & Bridges" on our website <http://www.sz-expressway.com>.

Development of Business –

As of the end of 2013, the average daily mixed traffic volume of Meiguan Expressway was over 130,000 vehicles. Based on the holistic consideration of the planning of the economic and transportation development, Shenzhen government was negotiating to adjust the toll of Meiguan Expressway in order to reduce the travelling costs of the citizens and the logistics costs of the corporates and optimise the regional function and industry pattern of the city and enhance the utilization of the land along the road. For this, the Group has conducted an in-depth research and negotiation on relevant matters with the local government and finally reached a consensus in compliance with the market framework. The Company, Meiguan Company, Transport Commission of Shenzhen Municipality and Shenzhen Longhua New Area Commission entered into *Agreement on the Toll Adjustment and Compensation and the Transfer of Assets Regarding Meiguan Expressway* (the "Adjustment Agreement") on 27 January 2014. Being approved and authorized by the general meeting of the Company and the Shenzhen government, the Adjustment Agreement has been effective since 31 March 2014. Pursuant to the Adjustment Agreement, toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented on 24:00 31 March 2014 operated by card access, and remain the toll for the section from Shenzhen-Dongguan border to Guanlan with a mileage of 5.4 km. Shenzhen government will make cash compensation, including the future income of the Toll Free Section for approximately

RMB1,598 million and other relevant costs/expenses for approximately RMB1,102 million (preliminary figures, part of the amount is subject to the audit figure of the relevant governmental audit department or the amount actually occurred). Upon the toll adjustment of Meiguan Expressway, the pressure on management and operational risks of toll highways of the Group will be reduced to a certain extent, and it will also stimulate operational performance of the connected roads. Meanwhile, provided that the future income can be reasonably predicted, the Group can realise its potential income at one time to obtain cash assets, so as to lower the overall liability of the Group, improve its financial status and enhance the capability and room for sustainable development in the future. For the specific impact of the adjustment to the Group's operating result and financial position, please refer to the relevant content in *Section 2 – Financial Analysis* below. For details on the Adjustment Agreement and approval conditions, please refer to the announcements of the Company dated 27 January, 28 March and 31 March 2014 respectively, and the circular of the Company dated 6 March 2014.

According to the relevant documents issued by the Guangdong Provincial Transportation Department, starting from 24:00 on 30 June 2013, Qinglian Class 2 Road has terminated toll collection. As approved by the Board, the Group coordinated with government authorities in charge in transfer and takeover of assets and disposed the net book value of relevant assets of Qinglian Class 2 Road as at the end of 2013 pursuant to the requirements of CASBE. For details please refer to the *Annual Report 2013* of the Company. During the Reporting Period, Qinglian Company arranged maintenance for Qinglian Class 2 Road and completed the transfer of assets in accordance with the relevant regulations and the negotiation with government department. After the transfer of Qinglian Class 2 Road was completed, the Group will no longer assume the obligations of repairing, maintenance and management, but will continue to communicate and coordinate with relevant government departments for the compensation of toll cancellation.

The Company has the first refusal right for the development of Outer Ring Project. As the project requires large scale of investment with high construction cost, the Company is focusing on revising the design plan and the investment structure, and is discussing and negotiating the feasible proposals of the investment, construction and management with relevant government authorities and strive for achieving the balance of the benefits between the Company and the community. The relevant proposals are yet to be finalized at the moment. In order to cooperate with the government for the overall planning and work arrangement in relation to expressway construction, the Board has approved the Group to carry out the construction organization works for the foregoing section of Outer Ring Project, on the condition that the Shenzhen government has specified the ultimate responsibility for Outer Ring Project and has made arrangements for the construction funding. The estimated investment amount for the foregoing section of Outer Ring Project is approximately RMB 500 million. The project will be constructed with the capital arranged by the government and organized and implemented by Outer Ring Company which is a wholly-owned subsidiary of the Company. If the Group and the Shenzhen government finally fail to reach agreement on the investment and exclusive operation right matters regarding the Outer Ring Project, Shenzhen government or other investors determined by Shenzhen government will take over the construction of the foregoing section and the preliminary costs incurred for the Outer Ring Project and bear relevant legal responsibilities and obligations.

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. During the Reporting Period, the entrusted management business of the Group realised the revenue of approximately RMB411 million and the advertising and other businesses realised the revenue of approximately RMB51 million, accounting for 21.3% and 2.7% of the Group's revenue, respectively.

Entrusted Management Business –

The entrusted construction management business and the entrusted operation management business, also known as agent construction business and agent operation business, are currently the major businesses of the Group in addition to toll highway business. During the Reporting Period, the entrusted construction business and entrusted operation business of the Group mainly includes Coastal Project, Nanping Phase II, Dezheng Road Project, Guilong Project, Resettlement Project and Longda Project etc.

◆ Entrusted construction business

The Coastal Phase I was completed in the third quarter of 2013 and the delivery and inspection procedures have also been completed. It is currently subject to the completion settlement and government audit work. During the Reporting Period, Coastal Company actively pushed forward the preliminary works of Coastal Phase II, including specific works such as preparation of water and soil conservation plan for the Project, consultation of assessment on environmental effects, and preliminary design work of the Project.

Management Discussion & Analysis

Section 1 – Business Review

All investment of Section A of Nanping Phase II has been completed in July 2013, and the project is subject to the settlement and government audit work during the Reporting Period. According to the arrangement and adjustment of the entrusting party, there have been changes in the scale and content of the entrusted construction of Section B of Nanping Phase II. As at the end of the Reporting Period, all the contracted sections of Nanping Phase II have finished the construction works as well as the delivery and inspection procedures except the linkage section of Xinhai Boulevard and Coastal Expressway. Currently the construction of the linkage section of Xinghai Boulevard and Coastal Expressway was smoothly carried out, the main work of which is expected to be completed by the end of the year.

During the Reporting Period, the Company has undertaken the construction management work of Dezheng Road Project as entrusted by Shenzhen Longhua New Area Construction Management Service Centre. The Project has an estimated investment amount of approximately RMB240 million, and is expected to be completed in the third quarter of 2014. As at the end of the Reporting Period, the construction of all base structures of the project's main bridge has been completed, nearly 90% progress of the construction in physical shape has been completed.

With the experience of the entrusted construction business, the Group carried out Guilong Project through Investment Company and Guishen Company, and participated in the regional road construction and development by build-transfer mode ("BT Mode") in Longli, Guizhou. As at the end of the Period, all construction works, as well as the transfer, of Phase I of Guilong Road has been completed. With the successful completion of construction and based on the meticulous attitude and integrity of its management team, the Group has won reputation in local construction management market, and thus fostering more market opportunities for the Group.

While pushing forward Guilong Project, the Investment Company has also undertaken the entrusted construction business of Resettlement Project. The project was funded by local government, of which Resettlement Phase I has a gross area of approximately 35,000 square meters whereas Resettlement Phase II has a gross area of approximately 62,000 square meters, including residential buildings, commercial buildings and ancillary facilities. The estimated investment amount was approximately RMB230 million. As at the end of the Reporting Period, the construction of the main body, renovation, water and electricity installation of Resettlement Phase I has been completed, and is expected to carry out the delivery and inspection procedures in the second half of the year. 80% of foundation construction of Resettlement Phase II has been completed and will soon commence the construction of its main body. The entrusted management of Resettlement Project may help to reduce the impact of demolition and resettlement on the progress of Guilong Project and implementation of related development business, and allow the Investment Company to gain experience in the management of housing construction works, and to develop procedures and management system applicable to this sector of business.

◆ Entrusted operation business

In 2014, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the Reporting Period, each management task was smoothly carried out. In addition, pursuant to the *Entrusted Management Agreement* entered into between the Company and SIHCL in November 2009, the Company was entrusted to manage Coastal Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. Among which, the specific arrangement in respect of the entrusted management of the operation period of Coastal Company will be confirmed after further negotiation, and subject to the ultimate approval of Shenzhen government. As at the date of this report, the details of the entrusted mode, the calculation and payment arrangement of management fee are still under negotiation, and are subject to the approval procedures handled by the parties to the entrustment as stipulated.

For details of the profits and incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to *Section 2 – Financial Analysis* in this chapter and note 5(31)(b) to the Financial Statements in Chapter V of this report.

Expansion of Entrusted Management Business –

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land of Guilong Project will have greater potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively engaged in the land tenders within the development area of Guilong Project. Since 2012, Guishen Company has successfully won the bid for the land with an area of approximately 1,863 mu (approximately 1,240,000 square meters) with a total consideration of RMB652 million. Guishen Company has set up several wholly-owned subsidiaries to hold and manage the land use rights of the lands above.

As approved by the Board of the Company, Guishen Company currently adopts a progressive development strategy to conduct further development of the land by phases with an area of 300 mu (approximately 200,000 square meters) on their own. The accumulated amount of investment is expected not to exceed RMB850 million. Currently, Guishen Company has completed the overall planning, housing construction design, landscape design and the main construction of Project Experience Zone of Phase I of Guilong Development Project (approximately 110 mu/70,000 square meters). Meanwhile, marketing plans and analysis on target customers were carried out to prepare for project sales. In addition, in July 2014, the Board further approved the Group to transfer 100% interest in Yuelong Company, which currently owns 296 mu (approximately 200,000 square meters) of Guilong land. As at the date of this report, the filing and approval procedures in relation to the management of state-owned assets for the relevant audit and assessment of the transfer are still undergoing. The realisation of the market value of the land owned by way of market transfer and development will allow the Company to realise the return on investment as soon as possible, and practically avoid the contract risk and market risk relating to the land. Meanwhile, it will also enhance the overall value of the peripheral land of Guilong Project and enrich our experience in project development and operation.

Other Businesses –

The Group is engaged in the businesses of billboard leasing, advertising agency, design production and related services alongside the toll highways and toll stations through its wholly-owned Advertising Company. Recently, Advertising Company has further expanded its business scope and market share by putting more efforts on acquisition of high-quality outdoor advertising resources. In addition, the Company holds 24% and 15% of interests in Consulting Company and Guangdong UETC respectively by way of equity participation. The principal businesses of Consulting Company include project management consultancy, survey, design, engineering supervision, construction costs consultancy, tendering agency and test and inspection, and that of Guangdong UETC include electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sale of related products.

During the Reporting Period, each of the above business, in general, proceeded smoothly and met the Group's expectation. Limited by the scale, the contribution from these businesses currently accounts for a small proportion of the Group's revenues and earnings. For details of the other businesses of the Company during the Reporting Period, please refer to *Section 2 – Financial Analysis* in this Chapter and note 5(31)(b) to the Financial Statements in Chapter V of this report.

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During the first half of 2014, the Group recorded net profit attributable to owners of the Company (“Net Profit”) of RMB1,697,330,000 (2013 Interim: RMB385,543,000), representing a YOY increase of 340.24%. The Group recognised the net gains on disposal of assets after tax of the Toll Free Section of Meiguan Expressway (“Gains on Disposal of Meiguan Assets”) of RMB1,117,329,000 in the second quarter. Excluding the effect of gains on disposal of such assets, Net Profit for the Reporting Period of the Group was RMB580,001,000, representing a YOY increase of 50.44%. The increase was mainly attributable to the steady growth of toll revenue derived from the toll highways operated and invested by the Group and the effective control of costs, as well as the substantial YOY increase of the profit from the entrusted construction management services, which was recognised by the Company based on the actual settlement of the work, the audit results of the relevant government departments and the progress of completion. For details of the Gains on Disposal of Meiguan Assets, please refer to point 5 of *Analysis of Operating Results* below.

I. Analysis of Operating Results

1. Revenue and Cost of Services

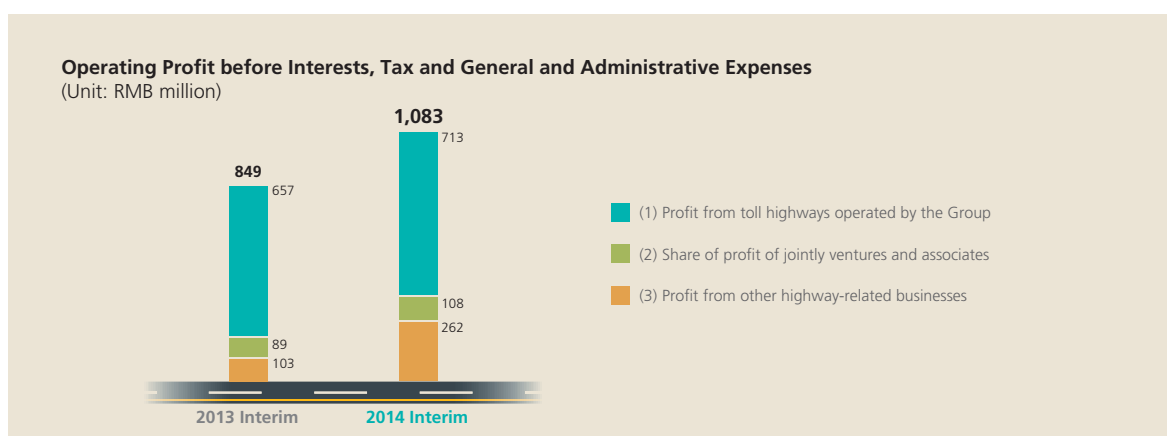
During the Reporting Period, the Group recorded revenue of RMB1,928,046,000, representing a YOY increase of 29.48%, of which toll revenue of RMB1,465,823,000, representing a YOY increase of 7.61%, was the main source of revenue of the Group. During the Reporting Period, the cost of services of the Group amounted to RMB916,231,000, representing a YOY increase of 32.20%. Changes in entrusted management services revenue and cost during the Reporting Period were mainly attributable to the combined effect of change in settlement amount and gross margin of each project during the Reporting Period. The recognition of service revenue and cost was mainly from Guilong Project and Coastal Phase I in the current period. Figures of the revenue and the cost are set out as follows. A detailed analysis is set out in the section under *Operating Profit before Interests, Tax and General and Administrative Expenses* below:

Revenue item	2014 Interim (RMB'000)	Percentage of total	2013 Interim (RMB'000)	Percentage of total	Change
Toll revenue	1,465,823	76.03%	1,362,141	91.48%	7.61%
Entrusted management services revenue	410,995	21.32%	76,411	5.13%	437.88%
Other revenue (including advertising services revenue)	51,228	2.65%	50,493	3.39%	1.46%
Total revenue	1,928,046	100.00%	1,489,045	100.00%	29.48%

Cost of services item	2014 Interim (RMB'000)	Percentage of total	2013 Interim (RMB'000)	Percentage of total	Change
Cost of traffic services	738,826	80.64%	663,601	95.75%	11.34%
Cost of entrusted management services	148,625	16.22%	113	0.02%	131,800.98%
Cost of other businesses	28,780	3.14%	29,334	4.23%	-1.93%
Total cost of services	916,231	100.00%	693,048	100.00%	32.20%

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

During the Reporting Period, the Group's operating profit before interests, tax and general and administrative expenses amounted to RMB1,083,251,000 (2013 Interim: RMB849,176,000), representing a YOY increase of 27.56%. Profits contributed by principal business are as follows:



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

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

◆ Profit

Operating profit before interests, tax and general and administrative expenses from toll highways operated by the Group for the Reporting Period amounted to RMB713,403,000 (2013 Interim: RMB657,295,000), representing a YOY increase of 8.54%. It was mainly attributable to the profit growth of such highways as Qinglian Expressway, Jihe East and Jihe West. Meanwhile, such highways as Meiguan Expressway was affected by the adjustment of toll fees, and Wuhuang Expressway was affected by other factors including diversion by road network, as a result, both projects recorded a YOY decrease in profit. A detailed analysis on the profit is as follows:

Toll Highway	Toll revenue		Cost of traffic services		Gross margin of traffic services		Operating profit before interests, tax and G&A expenses	
	2014 Interim (RMB'000)	Change	2014 Interim (RMB'000)	Change	2014 Interim	Change (pct. pt)	2014 Interim (RMB'000)	Change (RMB'000)
Meiguan Expressway	98,909	-28.54%	57,283	18.58%	42.09%	-23.01	71,230	-14,451
Jihe East	264,268	19.66%	146,213	20.16%	44.67%	-0.23	109,228	16,785
Jihe West	205,360	15.05%	45,113	14.27%	78.03%	0.15	154,028	21,021
Yanba Expressway	82,488	13.51%	49,817	14.39%	39.61%	-0.47	30,508	2,772
Yanpai Expressway	97,356	10.77%	42,314	12.69%	56.54%	-0.74	52,235	4,574
Nanguang Expressway	142,448	10.35%	72,835	16.13%	48.87%	-2.55	64,847	2,158
Qinglian Project	406,055	18.48%	234,224	12.23%	42.32%	3.21	158,288	35,434
Wuhuang Expressway	168,939	-12.01%	91,027	-10.43%	46.12%	-0.95	73,039	-12,185
Total	1,465,823	7.61%	738,826	11.34%	49.60%	-1.69	713,403	56,108

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◆ Toll revenue

For the Reporting Period, the Group recorded toll revenue of RMB1,465,823,000 (2013 Interim: RMB1,362,141,000), representing a YOY increase of 7.61%. During the Reporting Period, such highways as Meiguan Expressway was affected by the adjustment of toll fees, and Wuhuang Expressway was affected by other factors including diversion by road network in the surrounding areas, as a result, both projects recorded a decrease in toll revenue. Benefiting from the organic growth of traffic volume, improvement of road network and proactive marketing campaign, other affiliated toll highways of the Group achieved double-digit growth. For detailed analysis on the operational performance of the projects during the Reporting Period, please refer to the content of *Section 1 – Business Review* of this chapter.

◆ Cost of traffic services

Cost of traffic services for the Group's toll highways recorded a YOY increase of 11.34% to RMB738,826,000 (2013 Interim: RMB663,601,000) for the Reporting Period. Among which, Qinglian Company completed the maintenance and transfer of Qinglian Class 2 Road during the Reporting Period and recognised road maintenance expense of RMB38,000,000, resulting in an increase of road maintenance expense of the Group. There was corresponding increase in the cost of depreciation and amortisation of the Group during the Reporting Period as a result of the combined effect of growth in traffic volume of the highways, adjustment of unit usage of Qinglian Expressway since 1 July last year and the amount carried forward upon completion of the expansion works of Meiguan Expressway in the end of 2013. The entrusted management fee expense of Wuhuang Expressway decreased correspondingly due to decrease in revenue, which in turn resulted in the decrease in other business costs of the Group.

An analysis on cost of traffic services is as follows:

Cost of traffic services item	2014 Interim (RMB'000)	Percentage of total	2013 Interim (RMB'000)	Percentage of total	Change
Employee expenses	86,006	11.64%	87,324	13.16%	-1.51%
Road maintenance expenses	82,985	11.23%	39,075	5.89%	112.37%
Depreciation and amortisation	485,910	65.77%	447,025	67.36%	8.70%
Other business costs	83,925	11.36%	90,177	13.59%	-6.93%
Total	738,826	100.00%	663,601	100.00%	11.34%

(2) The investment income from joint ventures and associates

The Group's investment income from joint ventures and associates for the Reporting Period amounted to RMB108,301,000 (2013 Interim: RMB89,318,000), representing a YOY increase of 21.25%. Benefitting from the combination of such factors as the regional economic development and the changes in the traffic distribution in the road network, the toll revenues of most of the joint ventures and associates recorded a YOY growth to certain extents. The decrease in borrowing scale and financial costs of most of the companies also contributed to the more satisfactory YOY increase in investment income of the Group. A detailed analysis on investment income from joint ventures and associates is as follows:

	Toll revenue		Cost of services		Gross margin		Investment income of the Group ^{Note}	
	2014 Interim (RMB'000)	Change	2014 Interim (RMB'000)	Change	2014 Interim	Change (pct. pt)	2014 Interim (RMB'000)	Change (RMB'000)
Toll highway								
Joint ventures:								
Changsha Ring Road	27,965	22.72%	16,378	12.03%	41.43%	5.59	4,461	1,195
Associates:								
Shuiguan Expressway	234,886	6.15%	79,484	3.95%	66.16%	0.72	31,279	1,756
Shuiguan Extension	38,343	36.32%	29,206	34.65%	23.83%	0.95	(1,067)	925
Yangmao Expressway	280,491	4.76%	81,966	0.20%	70.78%	1.33	32,961	1,919
Guangwu Project	141,187	10.89%	44,456	1.27%	68.51%	2.99	16,721	5,402
Jiangzhong Project	176,700	9.09%	116,064	14.09%	34.32%	-2.88	2,508	-569
GZ W2 Expressway	153,263	10.72%	67,332	9.36%	56.07%	0.55	6,065	2,337
Nanjing Third Bridge	205,422	0.64%	55,310	-25.87%	73.08%	9.63	13,826	6,008
Total							106,754	18,973

Note: Investment income of RMB1,547,000 (2013 Interim: RMB1,538,000) from Consulting Company were not included in the figures of investment income of the Group for the Reporting Period. Details are set out in notes 5(8) and (35) to the Financial Statements in Chapter V of this report.

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

◆ Profit from entrusted construction management services

The Group recognised a profit of RMB233,653,000 from the entrusted construction management services for the entrusted construction projects of which the outcome can be estimated reliably, among which profit attributable to the Company on an equity basis amounted to RMB194,968,000. The analysis on the incomes and costs from the entrusted construction management services for the Reporting Period is as follows:

Entrusted construction management services item	Income		Cost		Profit attributable to the Company (on an equity basis)	
	2014 Interim (RMB'000)	Change (RMB'000)	2014 Interim (RMB'000)	Change (RMB'000)	2014 Interim (RMB'000)	Change (RMB'000)
Nanping Phase II	3,941	-36,427	(16,059)	-5,013	20,000	-28,935
Coastal Phase I	226,187	204,831	141,891	136,229	71,607	57,111
Guilong Project	155,109	150,472	20,884	16,399	90,266	90,266
Resettlement Phase I	14,193	13,933	614	367	13,095	13,095
Other projects	2,565	1,775	1,295	530	-	-
Total	401,995	334,584	148,625	148,512	194,968	131,537

During the Reporting Period, profit from entrusted construction management services and the growth thereof were mainly attributable to Coastal Phase I and Guilong Project. During the Reporting Period, the overall gross margin of the Group's entrusted construction management services business amounted to 63.03%, representing a YOY decrease of 37 percentage points. Among which, the gross margin of Coastal Phase I and Guilong Project represented a YOY decrease of 36 percentage points and a YOY increase of 83 percentage points, respectively. The changes in profit and gross margin of Coastal Phase I were attributable to the further recognition and adjustment of the relevant service income and cost based on the actual settlement of works and the audit results of relevant government department. The YOY increase of profit and gross margin of Guilong Project is attributable to the recognition of income and cost of entrusted management services based on the contractual agreement and the progress of completion in the current period. As the outcome could not be reliably estimated during the last interim period, income was recognised based on the actual cost incurred.

The management period of the entrusted construction management projects normally lasts for more than three years. The Group recognises income based on the percentage of completion of projects for which the outcome can be reliably estimated. During the respective periods, as affected by the changes of various factors including the scale of each project, progress of construction during the current period, contractual terms, audit results of relevant government department and settlement of works, there is typically higher level of fluctuation in profit and gross margin of entrusted construction management services recognised by the Group.

Details of the entrusted construction management services are set out in notes 5(31)(b)(i) and 7(5)(a)(ii) to the Financial Statements in Chapter V of this report.

◆ Profit from entrusted operation management services

During the Reporting Period, pursuant to the terms of the agreement, the Company recognised revenue from entrusted operation management services for Longda Project of RMB9,000,000 and a relevant profit of RMB8,495,000 after deducting relevant tax. Details are set out in notes 5(31)(b)(i) to the Financial Statements in Chapter V of this report.

◆ Profit from advertising business

During the Reporting Period, the advertising business of the Group recorded a profit of RMB18,574,000 (2013 Interim: RMB15,304,000) with a YOY increase of 21.37%. The increase was mainly due to a YOY increase of revenue from advertising business for the Reporting Period. Details are set out in note 5(31)(b) to the Financial Statements in Chapter V of this report.

3. General and Administrative Expenses

The Group's general and administrative expenses for the Reporting Period amounted to RMB29,439,000 (2013 Interim: RMB25,412,000), representing a YOY increase of 15.85%. The increase was mainly attributable to the increase in number of managerial staff, improved salary level and increase of performance bonus which are in line with its business growth.

4. Financial Expenses

The Group's financial expenses for the Reporting Period amounted to RMB239,900,000 (2013 Interim: RMB293,672,000), representing a YOY decrease of 18.31%, which was mainly attributable to the decrease in the Group's average borrowing scale during the Reporting Period and the recognition of interest income in respect of the compensation receivables as agreed in Meiguan Expressway Adjustment Agreement. Please refer to point 1 of *Analysis of Financial Position* and point 3 of *Capital and Financing* below for details of the borrowing scale. A detailed analysis on financial expenses is as follows:

Financial expenses item	2014 Interim (RMB'000)	2013 Interim (RMB'000)	Change
Interest expenses	272,609	306,256	-10.99%
Less: Interest capitalised	-	8,597	-100.00%
Interest income	39,071	15,173	157.50%
Exchange gain/loss and others	(1,698)	1,985	-185.53%
Add: Time value of provisions for maintenance/resurfacing	4,664	13,171	-64.59%
Financial expenses	239,900	293,672	-18.31%

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5. Non-operating income - Gains on Disposal of Meiguan Assets

As Meiguan Expressway Toll Free Section has implemented the toll-free policy since 24:00 on 31 March 2014 and thus no longer contributes operating income to the Company, while the ownership of the related assets will be transferred to the Shenzhen government since 1 April 2014, the Group has disposed the book value of the related assets of Toll Free Section in the second quarter of 2014 pursuant to relevant requirements of CASBE. According to the relevant compensation arrangement as set out in the Adjustment Agreement, after deduction of the relevant tax and cost, Gains on Disposal of Meiguan Assets of RMB1,117,329,000 has been recognised, resulting in a corresponding increase in the Group's net profit for the Reporting Period of RMB1,117,329,000. The relevant analysis of disposal of assets of Meiguan Expressway Toll Free Section is as follows:

Items	Amount (RMB'000)
1. Income loss/cost compensation ⁽¹⁾	1,940,870
Add: Transaction tax compensation ⁽²⁾	575,076
Less: Book value of net asset value	832,583
Related taxes such as Business tax ⁽²⁾	151,103
Other related expenses	32,938
2. Profit before tax (non-operating income)	1,499,322
Less: Income tax expense of current period ⁽²⁾	423,973
Deferred income tax expense	(41,980)
3. Net gain after tax on disposal of assets	1,117,329

Notes:

- (1) Income loss/cost compensation includes present value of future gain of Toll Free Section of RMB1,597,950,000 and share of cost compensation of reconstruction and expansion of Toll Free Section of RMB 342,920,000.
- (2) Transaction tax and related compensation amount are figures estimated, it is subject to the actual levy by Tax Authorities, but have no effect on the net gain on disposal of assets.
- (3) The compensation of future operational expense of additional ramp toll station amounted to RMB162,850,000 which is used as deferred gain to offset relevant operational costs in the future by installments.

Pursuant to the Adjustment Agreement, reconstruction and expansion costs of Meiguan Expressway attributable to Toll Free Section shall be compensated based on the actual costs incurred and is subject to the audit figure of the relevant government audit department. Therefore, the final compensation may be different from the preliminary compensation as set out in the Adjustment Agreement. Gains on Disposal of Meiguan Assets will also be adjusted accordingly, but the difference is expected to be immaterial.

6. Income Tax Expenses

During the Reporting Period, the Group's income tax expenses amounted to RMB523,307,000 (2013 Interim: RMB106,882,000), representing a YOY increase of 389.61%. Such increase was mainly attributable to the significant increase in taxable income as a result of the recognition of Gains on Disposal of Meiguan Assets during the Reporting Period. Details of the Group's applicable income tax rate and income tax expenses for current year are set out in note 3 and note 5(37) to the Financial Statements in Chapter V of this report respectively.

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 reviews on the projected traffic volumes and makes corresponding adjustments to ensure reliability and accuracy of the amortised amount. Details on this accounting policy and accounting estimates are set out in notes 2(17)(a) and (29)(b) to the Financial Statements in Chapter V of 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, with the increasing traffic volumes of each highway of the Group, the amortisation difference under the two methods of amortisation attributable to the Company based on its share of interests was RMB26 million, representing a significant YOY decrease of 62%. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects. Figures for reference calculated for various toll highways for the Reporting Period are as follows:

Toll highway	Amortised amount of toll operating rights (RMB million)			Amortisation difference attributable to the Company on an equity basis (RMB million)	
	Units-of-usage Method		Straight-line method ⁽¹⁾	2014 Interim	2013 Interim
	2014 Interim	2013 Interim			
Meiguan Expressway ⁽²⁾	42	26	31	11	8
Jihe East	111	91	78	34	14
Jihe West	25	22	14	11	8
Yanpai Expressway	25	22	24	2	-1
Yanba Expressway	32	25	35	-3	-9
Nanguang Expressway	38	29	50	-12	-21
Qinglian Expressway	121	126	184	-48	-46
Wuhuang Expressway	44	49	45	-1	3
Changsha Ring Road	7	6	9	-1	-1
Shuiguan Expressway	38	36	55	-7	-8
Shuiguan Extension	17	13	12	2	0
Yangmao Expressway	39	37	45	-1	-2
Guangwu Project	25	23	29	-1	-2
Jiangzhong Project	61	56	68	-2	-3
GZ W2 Expressway	36	31	56	-5	-6
Nanjing Third Bridge	35	47	56	-5	-2
Total				-26	-68

Notes:

- (1) Assuming the book values of the intangible assets are amortised evenly over the allowed operating periods granted by the concession grantors.
- (2) Concession intangible assets of Meiguan Expressway Toll Free Section have been disposed during the Reporting Period, and its amortisation amount calculated by the straight-line method and units-of-usage method has been adjusted accordingly.

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II. Analysis of Financial Position

1. Assets, Liabilities and Equity

The Group's financial position remains solid, and its assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 70.73% of its total assets at the end of the Reporting Period. Long term receivables arising from the disposal of assets of Meiguan Expressway Toll Free Section during the Reporting Period account for 7.51% of its total assets, and cash at bank and on hand and other assets accounts for 8.87% and 12.89% of its total assets, respectively. As at 30 June 2014, the Group's total assets amounted to RMB25,593,246,000 (31 December 2013: RMB22,840,107,000), representing an increase of 12.05% over the end of 2013. The increase was mainly attributable to the disposal of the relevant assets of Meiguan Expressway Toll Free Section during the Reporting Period and the recognition of the liabilities thereof, the issuance of medium-term notes and the increase of receivables from entrusted construction projects.

As at 30 June 2014, the Group's total equity amounted to RMB12,676,009,000 (31 December 2013: RMB11,238,986,000), representing an increase of 12.79% over the end of 2013. This was mainly attributable to the increase of net profit for the Reporting Period and the distribution of 2013 dividend.

As at 30 June 2014, outstanding bonds payable and bank borrowings of the Group amounted to RMB9,714,973,000 (31 December 2013: RMB9,297,563,000), representing an increase of 4.49% over the end of 2013. The increase was mainly attributable to the arrangement of an appropriate amount of capital at the end of Reporting Period as funding reserved for the sell-back of corporate bonds in July 2014. In the first half of 2014, the average borrowing scale of the Group was RMB9.31 billion (2013 Interim: RMB10.39 billion), representing a decrease of 10.39% YOY. As at the end of the Reporting Period, Qinglian Project utilised borrowings of RMB5.253 billion.

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

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB322,283,000 worth of foreign currency-denominated monetary liabilities in HK\$, while RMB2,191,000 and RMB96,000 worth of monetary assets were in HK\$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. The Company has arranged the financial instrument of *Non-Deliverable Gross Currency Swap* for a loan of HK\$420 million with a maturity period of five years to lock up its risks in change of interest rate and exchange rate. As at the end of the Reporting Period, the outstanding principal of such loan amounted to HK\$336 million (equivalent to approximately RMB267 million). For details thereof, please refer to note 5(23) to the Financial Statements in Chapter V of this report.

The aforesaid derivative financial liabilities measured at fair value and the changes in fair value during the Reporting Period are as follows:

Investment Types	Funding Sources	Contracting Party	Investment Amounts	Investment Period	Product Type	Expected Gains	Investment Gains/Losses (change in fair values during the Period)	Whether involved in litigation
Derivative	Self-owned	Industrial and Commercial Bank of China (Asia) Limited	HK\$420 million	2010.4-2014.9	Non-deliverable gross currency swap	N/A	2,769,000	No

2. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. During the Reporting Period, owing to the combined effect of such factors as the increase in the Group's profit, disposal of Meiguan assets and the decrease in the size of net borrowings, the net borrowings-to-equity ratio of the Group decreased significantly year-on-year as at the end of the Period, and the interest covered multiple and EBITDA interest multiple increased significantly year-on-year, showing further improvement of the Group's debt repayment capability. 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.

	30 Jun 2014	31 Dec 2013
Debt-to-asset ratio (Total liabilities / Total assets)	50.47%	50.79%
Net borrowings-to-equity ratio ((Total borrowings - cash and cash equivalents) / Total equity)	59.25%	73.03%
	2014 Interim	2013 Interim
Interest covered multiple ((Profit before tax + interest expenses) / interest expenses)	9.23	2.58
Interest covered multiple - deducting the effect of Gains on Disposal of Meiguan Assets	3.82	2.58
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortization / interest expenses)	11.06	4.04
EBITDA interest multiple - deducting the effect of Gains on Disposal of Meiguan Assets	5.65	4.04

3. Liquidity and Cash Management

During the Reporting Period, as a result of relatively large scale of total liabilities, great pressure from short-term repayment and the uncertainty of funding requirement due to the sell-back of RMB1.5 billion corporate bonds that may take place in July 2014, the Group continued to improve its debt structure through related financing arrangements to reduce the pressure from current liabilities, strengthen the capital arrangement on subsidiaries and major projects, appropriately increase its cash on hand and maintain sufficient banking facilities so as to prevent liquidity risk. During the Reporting Period, the Group issued medium-term notes of RMB1.0 billion bearing a term of 3 years, which will be used for repayment and replacement of borrowings that will expire in the near term. The Group also arranged an appropriate amount of capital at the end of Reporting Period as provision for the sell-back of corporate bonds in July 2014. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amounts applied to investment in securities or entrusted management.

	30 Jun 2014 (RMB million)	31 Dec 2013 (RMB million)	Change (RMB million)
Net current assets	1,616	3	1,613
Cash and cash equivalents	2,205	1,090	1,115
Banking facilities available	6,207	6,031	176

4. Contingencies

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

Management Discussion & Analysis

Section 2 – Financial Analysis

III. Capital and Financing

1. Capital Expenditure

During the Reporting Period, the Group's capital expenditures mainly comprised the remaining construction investments and settlements of projects such as the reconstruction into an expressway for Qinglian Class 1 Highway, the reconstruction and expansion of Meiguan Expressway, and Nanguang Expressway, totaling approximately RMB194 million. The investments in major projects are as follows:

Project Name	Project Amount (RMB million)	Project Progress	Amount invested during the Period (RMB'000)	Accumulated amount invested (RMB'000)	Gains from the project
Nanguang Expressway	3,145	99% ^{Note}	9,268	3,063,188	For details of the operational performance of related projects during the Period, please refer to <i>Analysis of Operating Results</i> above.
Qinglian Project	6,131	100%	66,970	6,010,232	
Reconstruction and expansion of Meiguan Expressway	708	100%	72,164	617,498	

Note: Nanguang Expressway was opened for operation in 2008. The remaining works were postponed as a result of the change in design of Nanping Phase II. It is planned to be completed in 2015.

As at 30 June 2014, the Group's capital expenditure plan mainly comprised the expenses on the projects as mentioned above. The Group's capital expenditure will be expected to be approximately RMB436 million by the end of 2016. The Group plans to satisfy such capital needs with its own capital and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability currently are sufficient for satisfying the needs of various capital expenditures.

Capital Expenditure Plan for 2014H2-2016 for the Group (Unit: RMB'000)

Project name	2014H2	2015	2016	Total
Reconstruction and expansion of Meiguan Expressway	51,700	-	38,306	90,006
Qinglian Project	107,340	13,618	-	120,958
Nanguang Expressway	71,620	10,390	-	82,010
Other Projects (Investment in electrical equipments, etc.)	143,098	-	-	143,098
Total	373,758	24,008	38,306	436,072

2. Cash Flow

The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the cash flows of the Group are listed as follows:

	2014 Interim (RMB'000)	2013 Interim (RMB'000)	Change
Net cash flows from operating activities	784,494	809,546	-3.09%
Net cash flows from investing activities	605,181	(352,876)	N/A
Net cash flows from financing activities	(274,680)	(1,009,606)	-72.79%

During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments ^{Note} totaled RMB819,478,000 (2013 Interim: RMB833,846,000), representing a slight YOY decrease of 1.72%. During the Reporting Period, as a result of decreased capital expenditures and the receipt of the first installment of compensation for adjustment of toll fees of Meiguan Expressway, the net cash inflows from investing activities amounted to RMB605 million. During the Reporting Period, the Group issued medium-term notes of RMB1.0 billion, resulting in a YOY decrease of the net cash outflows from financing activities of 72.79%.

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

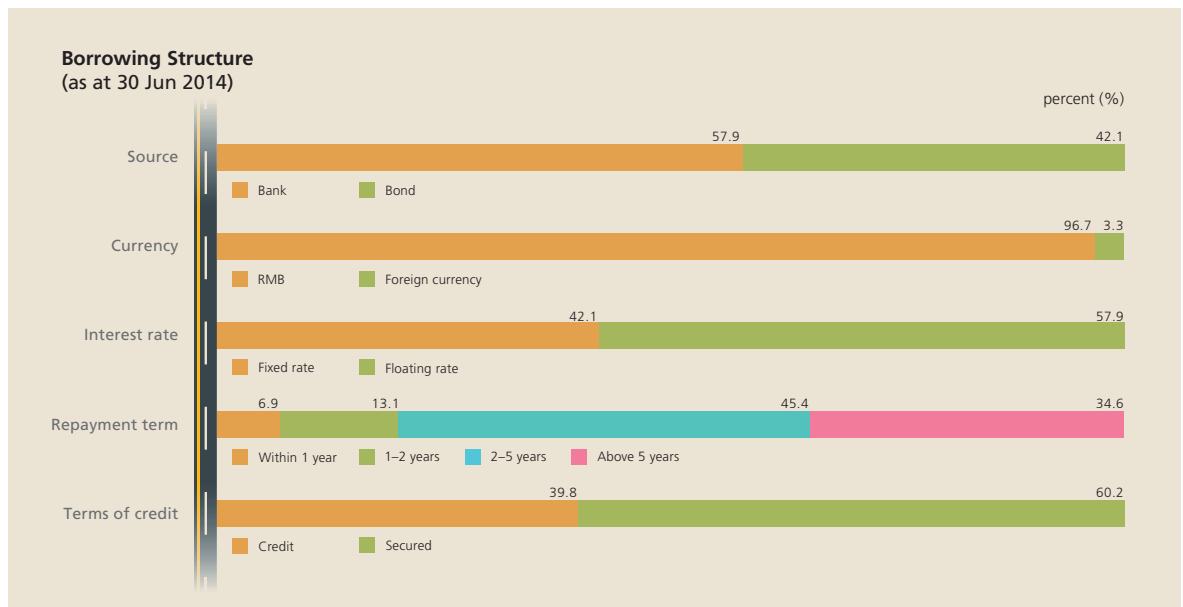
According to the articles of association of the Company's joint ventures and associates, those companies will distribute cash to their shareholders if the conditions for cash distribution are fulfilled. According to characteristics of the toll highway industry, such cash return on investments will provide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

3. Financial Strategies and Financing Arrangements

During the Reporting Period, the scale of banking facilities remained tight and the funding rate in the bond market showed a downward trend since the second quarter. In May 2014, the Company issued fixed rate medium-term notes of RMB1.0 billion bearing a term of 3 years, which will be used to replace liabilities that are expiring in the near term and replenish its working capital, so as to further optimise the debt structure of the Company and lower the consolidated funding costs, while strengthening the Company's ability in direct financing in the bond market. Based on the Company's actual financial position and current market conditions, the Company determined that the interest rate will not be increased during the term of the RMB1.5 billion corporate bonds (i.e. maintaining the original coupon rate) and appropriate provision has been made for the sell-back funding. In early July 2014, the Company settled the payment based on the actual sell-back results of bonds reported and repaid part of the bank borrowings according to the Company's current financial condition. The Company will continue to closely monitor the conditions of the capital market, actively broaden its financing channels, and optimise and adjust its debt structure and financing strategies by taking into consideration the actual requirements of the Company.

The Group's composite borrowing costs for the Reporting Period amounted to 5.82% (2013: 5.84%), which was 0.02 percentage point slightly lower than that in 2013. 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 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. The debt credit rating for the issued medium-term notes was AAA. The follow-up debt credit ratings of the issued enterprise bonds and corporate bonds were maintained at their original ratings of AAA or AA+.

Management Discussion & Analysis

Section 2 – Financial Analysis

As at 30 June 2014, the Group had obtained a total of RMB14.39 billion of banking facilities, including RMB8.0 billion of credit facilities specifically for projects under construction and RMB6.39 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB6.2 billion, of which RMB0.46 billion was credit facilities specifically for projects under construction and RMB5.74 billion was general credit facilities.

IV. Changes in Accounting Policies

In March 2014, the Ministry of Finance newly issued/revised two specific accounting standards, including *Accounting Standards for Business Enterprises No. 2 - Long-term equity investments (Revised in 2014)* and *Accounting Standards for Business Enterprises No. 41 - Disclosure of Interests in Other Entities (Issued in 2014)* which would be effected from 1 July 2014 for all enterprises complying with CASBE, while overseas-listed enterprises' early adoption is encouraged.

Since the Company is an A share and H share listed company, the above two accounting standards have been early adopted and relevant changes in accounting policies were made when preparing the financial statements for the first quarter of 2014. When adopting the above standards, the Company's investment in Guangdong UETC is applicable to *Accounting Standards for Business Enterprises No. 22 - Recognition and Measurement of Financial Assets*, and represented equity investments with no quotation in the active market and the fair value of which cannot be reliably measured. Accordingly, such investments were reclassified by the Company from long-term equity investment to financial assets available-for-sale, and were measured at cost. Adjustments have also been made to the relevant items in the comparative financial statements for year 2013 retrospectively. The above changes in accounting policies have rare impacts to the Group's financial status and operating results.

In addition, the Company has early adopted the five new/revised specific accounting standards successively issued by the Ministry of Finance in the beginning of 2014 when preparing its financial statement for year 2013, including *Accounting Standards for Business Enterprises No. 9 - Employee Benefits (Revised in 2014)*, *Accounting Standards for Business Enterprises No. 30 - Presentation of Financial Statements (Revised in 2014)*, *Accounting Standards for Business Enterprises No. 33 - Consolidated Financial Statements (Revised in 2014)*, *Accounting Standards for Business Enterprises No. 39 - Fair Value Measurement (Issued in 2014)* and *Accounting Standards for Business Enterprises No. 40 - Joint Arrangement (Issued in 2014)*. For details, please refer to the financial statements in 2013 annual report of the Company.

The above changes in accounting policies have been approved by the Board on the sixteenth and seventeenth meeting of the sixth session of the Board of the Company respectively.

V. Changes in the Scope of Consolidated Financial Statements

During the Reporting Period, Investment Company, a subsidiary of the Company, established a wholly-owned subsidiary, namely Property Management Company. The financial statements of Property Management Company were included into the scope of the Group's consolidated financial statements. The Property Management Company is principally engaged in property management and property leasing and has a registered capital of RMB1,000,000. The indirect shareholding of the Company in the Property Management Company was 100%.

VI. Particulars of Major Subsidiaries and Investee Companies

Units: RMB'000 unless otherwise stated

Company Name	% of interests held by Group	Registered capital ('000)	30 Jun 2014		2014 Interim			Principal business
			Total Asset	Net Asset	Revenue	Operating Profit	Net profit/ (Net loss)	
Meiguan Company	100%	332,400	2,548,286	1,804,328	98,969	71,836	1,171,026	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,445,627	1,877,686	264,351	106,391	79,557	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK\$795,381	1,237,734	1,158,614	-	34,997	34,997	Indirectly holding 25% interests in Qinglian Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	8,918,128	3,112,835	406,171	215	(176)	Construction, operation and management of Qinglian Expressway and auxiliary facilities
JEL Company/ Magerk Company	55%	US\$28,000	1,054,744	890,309	171,654	75,754	56,929	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	40%	324,000	2,128,028	454,735	237,218	104,263	78,197	Construction, operation and management of Shuiguan Expressway
Investment Company	100%	400,000	1,318,994	749,351	169,302	122,836	83,841	Investment in industries and project construction
Guishen Company	70%	500,000	1,288,925	720,133	155,109	122,744	119,641	Investment, construction and management of highways and urban infrastructure

During the Reporting Period, Meiguan Company has disposed the assets of Toll Free Section and recognised a net gain from disposal of assets of approximately RMB1.117 billion. Excluding the effect of gains from disposal of such assets, the net profit of Meiguan Company recorded a YOY decrease of 17.23%. The loss of Qinglian Company recorded a YOY decrease of 99.52%, which was mainly attributable to the continuous rapid increase in toll revenue resulting from the organic growth of traffic volume and the improvement of surrounding networks. Investment Company recognised the entrusted construction revenue of the Guilong Project and Resettlement Project Phase I with a significant YOY increase in net profit. For the operational and financial performance of the major subsidiaries and participating companies mentioned above during the Reporting Period, please refer to *Section 1 – Business Review* of this chapter and other relevant parts of this section.

VII. Profit alert, with reasons therefore, that the cumulative net profit for the period from Jan to Sep 2014 may be a substantial YOY change

As the Group recognised Gains on Disposal of Meiguan Assets of approximately RMB1.117 billion in the second quarter of 2014, and there is a higher YOY increase in the profit of the Group's toll highways business and entrusted construction management services in the first half of the year, the Group's net profit for the period from January to September 2014 is expected to increase by approximately 200%-220% YOY. The above data, which is unaudited, was preliminary assessment and estimation of the Company based on current information and situation and is subject to the assumption that there is no substantial difference between the operating environment and business activities in future and those expected. The actual performance of the Company may be different from the above expectation due to changes in relevant affecting factors. The specific results information to be formally disclosed by the Company in the *Third Quarterly Report 2014* shall prevail. Shareholders and investors are reminded to use such information cautiously and beware of investment risks.

Management Discussion & Analysis

Section 3 – Outlook and Plans

I. Analysis on Operating Environment

In the first half of the year, the domestic economy was generally stable. It is believed that the domestic economy will grow steadily as the Chinese government is to implement a series of macro-economic policies such as strengthening reform, boosting domestic demand, enhancing adjustment in economic structure, and thereby facilitating a relatively stable growth of the domestic demand for highway transport.

In order to reduce the travelling costs of the citizens and the logistics costs of the corporates and optimise the regional function and industry pattern of the city, Shenzhen government has conducted an in-depth research and negotiation on the arrangement of toll adjustment of Meiguan Expressway with the Company and finally reached a consensus in compliance with the market principle. For details, please refer to *Section 1 – Business Review* of this chapter. Upon the toll adjustment of Meiguan Expressway, the compensation income obtained may either accordingly reduce the interest expenditure or increase the interest income of the Group in the upcoming periods. Meanwhile, the Toll Free Section will no longer contribute toll revenue for the Group, and thus the income of the Group in the upcoming periods will also be reduced accordingly, which is expected that such changes will not have material impact on the overall business performance of the Group.

The toll adjustment of Meiguan Expressway can reduce the operational risks of the Company, stimulate the operating performance of the sections connected to Meiguan Expressway. Moreover, it can reduce the total debt level, improve the financial condition and promote the ability for future sustainable development of the Group. Meanwhile, it also triggered market's concern over the development room of the Company's principal business. In view of overall network plan, traffic demand and highway scale, the overall direction of industry development policy may not have substantial changes in a certain period. The toll adjustment of Meiguan Expressway by the Shenzhen government, subject to the necessity and urgency, requires the support of a number of major conditions such as financial resources and the pattern may not be simply duplicated. As the development of society and economy, the Company has been actively seeking for new modes of industrial development with the authorities in recent years to achieve a balanced and sustainable growth. Currently, the Company has participated in the construction and management of Coastal Project through entrusted management. It is also negotiating with the government on the investment mode and plans of Outer Ring Project, including but not limited to cooperative construction, obtaining the operation rights through evaluating the project value and entrusted management. Such arrangements enable the Company to gain reasonable income and returns leveraging on its ample experience and expertise provided that its investment risks can be reduced. The Company will maintain close communication with the government to keep an eye on the possible changes of the operating environment and respond timely in order to protect its interests.

According to the public information currently available, Guangle Expressway (Guangzhou – Lechang, in Guangdong), as the dual line of G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway), is scheduled to open to traffic in October 2014, and the section from Yongzhou, Hunan to Lianzhou, Guangdong of Erguang Expressway is scheduled to be completed by the end of 2014. In addition, the reconstruction and expansion work of Guangqing Expressway (Guangzhou – Qingyuan, in Guangdong), which connects to the southern end of Qinglian Expressway, is currently under progress. According to its announced plans, the restricted access measure for heavy trucks will be eased gradually starting from the end of 2014, and the whole works will be completed by the end of 2016. The continuous improvement of road network can facilitate further economic and social development along the highways, as well as people's selections and demand to use highway transportation means, drive the increase of the overall traffic volume level among the road network. Meanwhile, it can also bring changes to the traffic volume distribution of the road network, resulting positive or negative impacts on the operational performance of the specific project. The Group will closely follow up the conditions of neighboring road network and constantly conduct monitoring analysis on traffic flow. The Group will also take measures such as improving traffic condition and service quality, promoting the opening of the project and service advantage, commencing special marketing work and optimizing road guidance to actively attract traffic flow and keep improving operational performance.

Following the implementation of toll-free of Meiguan Expressway Toll Free Section, the Shenzhen government gradually carries out urban planning design and renewal work along Meiguan Expressway. According to the relevant urban planning and relevant regulations of Measures on Administration of Urban Renewal of Shenzhen Municipality, the Shenzhen government intends to implement the Meilin Checkpoint Urban Renewal Project. The Company and Shenzhen International, the Company's controlling shareholder, as the owners of the relevant land, has the right to establish a project company as the entity to apply for the urban renewal project and be responsible for related works in acquiring the land of the project. In August 2014, the Company and Shenzhen International entered into a framework agreement, pursuant to which, both parties will make capital contributions to establish a project company to implement the Meilin Checkpoint Urban Renewal Project and obtain valuable resources of the land thereof. The Company will own 49% equity interests in the project company. According to the Listing Rules of HKEx, the relevant arrangements are conditional upon the submission to the general meeting of the Company for approval by the Independent Shareholders. For details please refer to the announcement of the Company dated 8 August 2014.

II. Operating Objectives and Plans

In the first half of 2014, all departments worked closely in line with the overall guiding ideas and planning formulated at the beginning of the year. The Company successfully realised the operating objectives set at the beginning of the year, and saw no significant differences in terms of revenues and cost control as planned at the beginning of the year. Major works of the Group in the second half of the year include:

- ◆ **Strategic research:** We will conduct in-depth strategic research and complete formulation of the strategy for new stage in time.
- ◆ **Operation and highway management:** We will incorporate the operation rules of the inter-network toll collection in Guangdong Province to optimize the operation management procedure and constantly enhance the efficiency and effectiveness of system operation. We will also commence specific marketing initiatives on the basis of opportunities from the inter-network toll collection in Guangdong Province and toll-by-weight, together with the characteristics of each project so as to improve service quality and attract traffic flows. We will complete the maintenance works for highways on schedule, and focus on the management of traffic dispersion to enhance highway administration and management.
- ◆ **Construction management:** We will proactively push forward the progress of the construction projects, and ensure the achievement of annual management targets of projects under development and entrusted construction project, provided that safety and quality can be maintained. We will also actively advance the preliminary work of Outer Ring Project and Coastal Phase II and seize opportunities for market expansion. We will step up our efforts in project planning and coordination, and promote recognition and recovery of entrusted construction revenue.
- ◆ **Financial management:** We will closely monitor the changes in monetary policies and financing environment, timely undertake financing activity based on the Company's condition with a view to lower the capital costs and optimise the debt structure. We will also strengthen the management of the Group's funding so as to satisfy the capital needs in operation and development.
- ◆ **Business development and management:** We will conduct research and negotiation for the proposals in respect of the investment mode of Outer Ring Project and the operation management mode of Coastal Project. We will also follow up the work of toll adjustment of Meiguan Expressway and the progress of the Meilin Checkpoint Urban Renewal Project. We will also steadily advance the progress of the business operation of BT-linked land development, seize the opportunity to expand business and continue to monitor and control risks.

Significant Events

I. Share Capital and Shareholders

1. Movements of Shares

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

2. Profile of Shareholders

(1) General Information of Shareholders

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

Unit: share

Total number of shareholders		The Company had 30,171 shareholders in total, including 29,893 holders of A shares and 278 holders of H Shares.				
The top ten shareholders						
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Change during the Period	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED ^{Note}	Overseas legal person	32.37%	705,897,098	-1,052,000	-	Unknown
XIN TONG CHAN DEVELOPMENT (SHENZHEN) COMPANY LIMITED	State-owned legal person	30.03%	654,780,000	-	-	None
SHENZHEN SHEN GUANG HUI HIGHWAY DEVELOPMENT COMPANY	Domestic non-state-owned legal person	18.87%	411,459,887	-	-	None
CHINA MERCHANTS HUA JIAN HIGHWAY INVESTMENT CO., LTD	State-owned legal person	4.00%	87,211,323	-	-	None
GUANGDONG ROADS AND BRIDGES CONSTRUCTION DEVELOPMENT COMPANY LIMITED	State-owned legal person	2.84%	61,948,790	-	-	None
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	-	-	Unknown
IP KOW	Overseas natural person	0.42%	9,100,000	-	-	Unknown
ZHONGRONG INTERNATIONAL TRUST CO., LTD. – RONGJIN NO. 44 CAPITAL TRUST CONTRACT	Unknown	0.34%	7,381,214	+7,381,214	-	Unknown
WONG KIN PING + LI TAO	Overseas natural person	0.23%	5,000,000	-	-	Unknown
LI KIU	Overseas natural person	0.16%	3,550,000	-	-	Unknown
The top ten holders of non-restricted circulating shares						
Name of shareholder			Number of non-restricted circulating shares held	Type of shares		
HKSCC NOMINEES LIMITED ^{Note}			705,897,098	H Share		
XIN TONG CHAN DEVELOPMENT (SHENZHEN) COMPANY LIMITED			654,780,000	A Share		
SHENZHEN SHEN GUANG HUI HIGHWAY DEVELOPMENT COMPANY			411,459,887	A Share		
CHINA MERCHANTS HUA JIAN HIGHWAY INVESTMENT CO., LTD			87,211,323	A Share		
GUANGDONG ROADS AND BRIDGES CONSTRUCTION DEVELOPMENT COMPANY LIMITED			61,948,790	A Share		
AU SIU KWOK			11,000,000	H Share		
IP KOW			9,100,000	H Share		
ZHONGRONG INTERNATIONAL TRUST CO., LTD. – RONGJIN NO. 44 CAPITAL TRUST CONTRACT			7,381,214	A Share		
WONG KIN PING + LI TAO			5,000,000	H Share		
LI KIU			3,550,000	H Share		
Connected relationship or concerted action relationship among the abovementioned shareholders:	XTC Company and SGH Company are connected persons under the same control of Shenzhen International.					
	Save as the above-mentioned relationship, there is no connected relationship among the other state-owned shareholders in the above table. In addition, the Company did not notice any connected relationship among the other above-mentioned shareholders or any connected relationship among the above state-owned shareholders and other shareholders.					

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

(2) Disclosure of Interests of Shareholders Pursuant to the Listing Rules of HKEx

As at 30 June 2014, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or in accordance with the notice received by the Company and the HKEx, were as follows:

A Shares:

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

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	% of total issued H Share capital
Advance Great Limited	Beneficial owner	43,536,000(L)	5.82%(L)
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	43,536,000(L)	5.82%(L)
SIHCL	Interest of corporation controlled ⁽⁴⁾	43,536,000(L)	5.82%(L)
Veritas Asset Management (UK) Limited	Investment manager	40,028,000(L)	5.35%(L)

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

Notes:

- (1) All the 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 48.52% interests in Shenzhen International. Pursuant to the SFO, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of the SFO showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 30 June 2014.

3. Controlling Shareholder or the De-facto Controller

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

4. 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.

Significant Events

5. 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.)	Remained AA+ issuer rate and credit rate of the bond

Pursuant to the sell-back clauses stipulated in the prospectus of issuance of *11 Shenzhen Expressway*, the bondholders of *11 Shenzhen Expressway* shall have an option to make declaration to sell back whole or part of the *11 Shenzhen Expressway* bonds held by them during the sell-back declaration period (i.e. 30 June 2014 to 4 July 2014). Pursuant to the statistics of the Shanghai branch of China Securities Depository and Clearing Co., Ltd, 3 lots (10 bonds each) of valid sell-back declaration was received with a total sell-back amount of RMB3,000. The sell-back has been completed on 28 July 2014.

II. Directors, Supervisors, Senior Management and Staff

1. Changes of the Directors, Supervisors and Senior Management

- (1) During the Reporting Period, there was no change in the Directors, the Supervisors or the Senior Management of the Company.
- (2) Pursuant to Rule 13.51B(1) of the Listing Rules of HKEx, the change in the information of the Directors of the Company is as follows:

Mr. ZHANG Li Min, Independent Director, has served as the independent director of 金地(集團)股份有限公司 (Gemdale Corporation, a SSE listed company) since April 2014.

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

- (1) During the Reporting Period, none of the Directors, the Supervisors or the Senior Management had held or traded the stock of the Company.
- (2) Disclosure of Interests of the Management Pursuant to the Listing Rules of HKEx

As at 30 June 2014, 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 the SFO) which were required to be entered into the register maintained by the Company under Section 352 of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and HKEx pursuant to the *Model Code for Securities Transactions by Directors of Listed Issuers* (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International ⁽¹⁾:

Name	Number of ordinary shares held as at 30 June 2014	Change during the Period	% of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
LI Jing Qi	864,840	+36,160	0.05%	Personal	Beneficial owner

Interests in share option of Shenzhen International ⁽¹⁾:

Name	Share option unexercised as at 30 June 2014	Change during the Period	Nature of interests	Capacity
YANG Hai	1,523,100 ⁽²⁾	+1,050,000 ⁽²⁾	Personal	Beneficial owner
LI Jing Qi	1,840,000 ⁽²⁾	+1,330,000 ⁽²⁾	Personal	Beneficial owner
ZHAO Jun Rong	1,479,000 ⁽²⁾	+1,050,000 ⁽²⁾	Personal	Beneficial owner
HU Wei	1,575,000 ⁽³⁾	+1,050,000 ⁽³⁾	Personal	Beneficial owner
TSE Yat Hong	2,480,000 ⁽²⁾	+1,050,000 ⁽²⁾	Personal	Beneficial owner
ZHONG Shan Qun	1,523,250 ⁽²⁾	+1,050,000 ⁽²⁾	Personal	Beneficial owner

Note:

- (1) The consolidation of every 10 shares of Shenzhen International with a nominal value of HK\$0.10 each be consolidated into 1 consolidated share with a nominal value of HK\$1.00 each (the "Share Consolidation") became effective on 13 February 2014. The information set out in this section was disclosed on the basis of the information after the Share Consolidation became effective.
- (2) The additional share options owned by Directors YANG Hai, LI Jing Qi, ZHAO Jun Rong, TSE Yat Hong and Supervisor ZHONG Shan Qun during the Reporting Period 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 provisions, with the exercise price HK\$10.40 per share. The remaining share options owned by these Directors and Supervisor were granted on 28 September 2010 and could be exercised during the period from 28 September 2012 to 27 September 2015 pursuant to the grant provisions, with the exercise price HK\$5.80 per share.
- (3) The additional share options owned by Director HU Wei during the Reporting Period 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. The remaining share options owned by him were granted on 18 January 2013 and could be exercised during the period from 28 September 2014 to 27 September 2015 pursuant to the grant provision, with the exercise price of HK\$9.10 per share.

Saved as disclosed above, as at 30 June 2014, none of the Directors, the Supervisors or the Chief Executive had interests or short positions defined above.

3 Model Code for Securities Transactions by Directors and Supervisors

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

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

4. Employees, Remuneration and Training

As at 30 June 2014, the Group (including the Company and its subsidiaries consolidated into the financial statements) had 3,457 employees, of whom 730 were management and professional staffs while 2,727 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 2(20) and 5(17) to the Financial Statements in Chapter V of this report.

During the Period, the Company had organised 18 trainings, with a total of 690 participants.

Significant Events

III Other Significant Events

1. Review of Interim Results

The Audit Committee of the Company has reviewed and endorsed the Group's 2014 interim financial statements, the interim report and its summary. The relevant financial information has not been audited.

The 2014 interim financial information and the comparative figures for the same period of 2013 are prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Listing Rules of HKEx.

2. Dividend Distribution

(1) Dividend distribution scheme for the interim of 2014

The Board does not recommend any payment of interim dividend for the six months ended 30 June 2014 (2013 Interim: Nil), nor does it recommend any conversion of capital reserve into share capital.

(2) Dividend distribution scheme for the year 2013 and its implementation

Pursuant to the approval at the 2013 Annual General Meeting, the Company paid a final cash dividend of RMB0.16 (tax included) per share for the year 2013 to all shareholders on the basis of the total share capital comprising 2,180,770,326 shares as at the year end of 2013, totalling RMB348,923,252.16. Such dividend distributions were implemented before 11 July 2014.

3. Information on Corporate Governance

The Company is committed to maintaining a high standard of corporate governance. During the Reporting Period, the Company has complied with the code provisions set out in the *Corporate Governance Code* contained in Appendix 14 to the Listing Rules of HKEx. In addition, the Company has also complied with the requirements of the *Company Law* of the PRC and relevant requirements issued by China Securities Regulatory Committee, and strive to pursue better corporate governance practice. For details thereof, please refer to the *Annual Report 2013* of the Company.

4. Significant Transaction

The Company, Meiguan Company (a wholly-owned subsidiary of the Company), Transport Commission of Shenzhen Municipality, and Shenzhen Longhua New Area Administrative Committee, entered into the *Agreement on the Toll Adjustment and Compensation and the Transfer of Assets Regarding Meiguan Expressway* on 27 January 2014. For details thereof, please refer to the *Business Review* in Chapter III of this report. The relevant works have carried out according to the agreement in the Reporting Period, and the progress is in line with the expectation.

5. Significant Connected Transaction

Save as disclosed in this report, there is no significant connected transaction occurred by the Company or its subsidiaries during the Period. As at the date of this report, there is no non-operating fund occupancy by the controlling shareholders and its connected parties arising in the Company.

6. 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 湖北省高等級公路管理局 (Hubei Bureau for the Administration of Higher Class Public Roads), or other sub-contractors whom it may designate from time to time (湖北武黃高速公路經營有限公司 (Hubei Wuhuang Expressway Management Co. Ltd.) is the sub-contractor currently designated), throughout the operating period of Wuhuang Expressway. The service was charged at a fee which is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

For 2014 Interim, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB853,433,000 and RMB42,657,000 respectively. Magerk Company recorded a net profit of RMB56,929,000 for 2014 interim, and after deducting minority interests, the net profit attributable to the Group was RMB31,311,000, representing 1.84% 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.

7. 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:

Asset	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project ⁽¹⁾	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion ⁽¹⁾	Until repayment of all liabilities by Qinglian Company under the loan agreement
Toll collection rights of Yanpai Expressway	Pledge	Industrial & Commercial Bank of China Shenzhen Branch	Principal and interests of fixed asset backed loans in an aggregate amount of RMB800 million ⁽²⁾	Until repayment of all liabilities by the Company under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
40% of equity interests in Qinglong Company ⁽³⁾	Pledge	Industrial & Commercial Bank of China Shenzhen Branch	Principal and interests of bank loans in an aggregate amount of RMB1.3 billion ⁽³⁾	Until repayment of all liabilities by the Company under the loan agreement
154,000,000 shares of JEL Company ⁽⁴⁾	Pledge	Industrial and Commercial Bank of China (Asia) Limited	Principal and interests of bank loans in an aggregate amount of HK\$70 million ⁽⁴⁾	Until repayment of principal and interests of bank loans and relevant expenses by Mei Wah Company

Notes:

- (1) The asset was pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans used by Qinglian Company was RMB4,189 million.
- (2) At the end of the Reporting Period, the balance of such loans used by the Company was RMB244 million.
- (3) At the end of the Reporting Period, the balance of such loans used by the Company was RMB565 million. As at the date of this report, all liabilities under the relative loan agreement have been repaid and the pledge of such asset as guarantee was relieved.
- (4) The asset was pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of loans used by Mei Wah Company under such facilities was HK\$70 million.

Significant Events

8. External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)						
Name of the guaranteed	Date of occurrence (date of agreement)	Amount of guarantee	Type of guarantee	Term of guarantee	Completed or not	Guarantee for connected party or not
China Construction Bank Shenzhen Branch	2007-4-20	800	Joint liability guarantee ⁽¹⁾	From August 2007 until repayment of corporate bonds of the Company (principal and interests)	No	No
Total amount of guarantees occurred during the Reporting Period						0
Total balance of guarantees as at the end of the Reporting Period						800
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						0 ⁽²⁾
Total amount of guarantees of the Company (including guarantees for subsidiaries)						
Total amount of guarantees						800
Proportion of total amount of guarantees to the net assets of the Company						7.07%
Including:						
Amount of the guarantees for shareholders, de-facto controller and their connected parties						–
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70%						800
Amount of the guarantees exceed 50% of net assets of the Company						–
Total amount of the above three guarantees						800

Notes:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the Shareholders in the 2006 Annual General Meeting of the Company. For details on the warranty, please refer to the relevant content heading *Mortgage and Pledge of Assets* above.
- (2) The Company entered into agreements on January 2013 with relevant banks, pursuant to which the Company provided guarantees with joint liability in proportion of 70% for the bank loans and debt under credit facilities of Guishen Company with the total amount not more than RMB800 million. The total amount of guarantees is RMB560 million. Guishen Company had entered into agreements regarding the bank loans/credit facilities of RMB800 million under above-mentioned guarantees. The above-mentioned guarantee for a subsidiary of the Company had been approved by the Board in the eighth meeting of the sixth session of Board of the Company. As at 30 June 2014, the balance of the loan used by Guishen Company was RMB0.
- (3) The company has no external guarantee in violation of decision-making procedures.

9. 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 contracts in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there were no such prior material contracts subsisting during the Reporting Period.

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

10. Subsequent events

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 the Meilin Checkpoint Urban Renewal Project*. Pursuant to the agreement, the Company and Shenzhen International, through its wholly-owned subsidiary XTC Company, will make capital contributions to establish a project company to implement the Meilin Checkpoint Urban Renewal Project and obtain valuable resources of the land thereof. Pursuant to the Listing Rules of HKEx, the relevant arrangement is to be considered at the extraordinary general meeting and to obtain the approval of independent shareholders of the Company. For details, please refer to the announcement of the Company dated 8 August 2014.

11. Undertakings

- (1) The shareholders of the Company, XTC Company and SGH Company, each of which has more than 5% shareholding in the Company, have undertaken in the promoters' agreement in January 1997 that they will not engage in Shenzhen in any industry or business in any form, which, directly or indirectly, competes with the Company. The Company did not notice violation of such undertakings by the above two shareholders up to the end of the Reporting Period.
- (2) Shenzhen International and 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)) made undertakings in *Detailed Report on the Change of Equity Interests* published on 18 October 2007 in the securities market of PRC. The undertakings include avoiding competitions and standardising connected transactions, etc. For details thereof, please refer to the abovementioned *Detailed Report on the Change of Equity Interests* or related contents of the *Annual Report 2007* of the Company. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by the above two companies.
- (3) Shenzhen International made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and June 2011 respectively. SIHCL made undertakings in respect of the matters such as avoiding competitions and supporting the development of the Company in December 2010 and May 2011 respectively. The undertakings include that Shenzhen International shall inject its highway assets into the Company in 5-8 years in the case of qualified. For details thereof, please refer to *Acquisition Report* published on 4 January 2011 in the securities market of PRC by SIHCL and the announcement of the Company dated 1 June 2011. Up to the end of the Reporting Period, the Company did not notice violation of such undertakings by Shenzhen International or SIHCL.

12. Name of Directors

As at the date of this report, the Directors of the Company are Mr. YANG Hai (Chairman of the Board), Mr. WU Ya De (Executive Director and President), Mr. LI Jing Qi (Non-executive Director), Mr. ZHAO Jun Rong (Non-executive Director), Mr. HU Wei (Non-executive Director), Mr. TSE Yat Hong (Non-executive Director), Ms. ZHANG Yang (Non-executive Director), Mr. CHIU Chi Cheong, Clifton (Non-executive Director), Mr. WANG Hai Tao (Independent Director), Mr. ZHANG Li Min (Independent Director), Mr. AU Sing Kun (Independent Director) and Mr. LIN Chu Chang (Independent Director).

By Order of the Board
YANG Hai
Chairman

Shenzhen, PRC, 19 August 2014

CHAPTER V

Interim Financial Statements

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Consolidated Balance Sheet

As at 30 June 2014
(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2014 (Unaudited)	31 December 2013 (Audited, restated)
Current assets			
Cash at bank and on hand	5(1)	2,269,685,040.15	1,094,796,690.93
Accounts receivable	5(2)	843,270,802.78	495,330,807.64
Advances to suppliers	5(4)	343,866,217.51	134,809,901.75
Dividends receivable		–	68,146.67
Other receivables	5(3)	480,753,691.03	165,948,978.57
Inventories	5(5)	355,054,312.90	345,018,118.72
Other current assets		–	1,755,109.55
Total current assets		4,292,630,064.37	2,237,727,753.83
Non-current assets			
Long-term prepayments		4,814,364.00	4,814,364.00
Available-for-sale financial assets	5(6)	30,170,000.00	30,170,000.00
Long-term receivable	5(7)	1,922,805,334.25	–
Long-term equity investments	5(8)	1,647,598,820.38	1,574,214,371.24
Investment properties	5(9)	14,965,675.00	15,253,525.00
Fixed assets	5(10)	1,075,491,320.65	1,112,824,141.67
Construction in progress	5(11)	8,865,003.54	36,340,507.58
Intangible assets	5(12)	16,540,286,927.06	17,756,263,229.13
Long-term prepaid expenses		3,116,039.41	4,650,620.40
Deferred tax assets	5(13)	52,502,898.64	67,848,967.06
Total non-current assets		21,300,616,382.93	20,602,379,726.08
Total assets		25,593,246,447.30	22,840,107,479.91

Consolidated Balance Sheet

As at 30 June 2014

(All amounts in RMB unless otherwise stated)

	Note	30 June 2014 (Unaudited)	31 December 2013 (Audited, restated)
Liabilities and owners' equity			
Current liabilities			
Short-term borrowings	5(14)	55,966,000.00	450,400,000.00
Accounts payable	5(15)	219,362,663.35	375,719,993.22
Advances from customers	5(16)	26,423,716.84	18,889,050.32
Employee benefits payable	5(17)	66,015,451.65	104,360,502.53
Taxes payable	5(18)	519,761,346.09	73,910,675.99
Interest payable	5(19)	169,283,813.83	70,058,287.20
Dividends payable	5(20)	107,640,000.08	–
Other payables	5(21)	811,840,582.14	518,799,906.45
Current portion of non-current liabilities	5(23)	697,619,451.99	620,326,885.32
Other current liabilities		2,794,486.25	1,923,817.30
Total current liabilities		2,676,707,512.22	2,234,389,118.33
Non-current liabilities			
Long-term borrowings	5(24)	4,959,319,000.00	5,257,014,000.00
Bonds payable	5(25)	4,086,916,188.90	3,088,801,980.40
Provisions	5(22)	174,173,340.83	206,979,215.61
Deferred tax liabilities	5(13)	752,383,698.20	813,937,505.37
Other non-current liabilities	5(26)	267,737,334.49	–
Total non-current liabilities		10,240,529,562.42	9,366,732,701.38
Total liabilities		12,917,237,074.64	11,601,121,819.71
Owners' equity			
Share capital	5(27)	2,180,770,326.00	2,180,770,326.00
Capital surplus	5(28)	3,182,971,430.40	3,182,754,363.49
Surplus reserve	5(29)	1,681,423,475.54	1,681,423,475.54
Undistributed profits	5(30)	4,277,879,194.71	2,929,472,264.02
Total equity attributable to owners of the Company		11,323,044,426.65	9,974,420,429.05
Minority interests	4(2)	1,352,964,946.01	1,264,565,231.15
Total owners' equity		12,676,009,372.66	11,238,985,660.20
Total liabilities and owners' equity		25,593,246,447.30	22,840,107,479.91

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Balance Sheet

As at 30 June 2014
(All amounts in RMB unless otherwise stated)

Assets	Note	30 June 2014 (Unaudited)	31 December 2013 (Audited, restated)
Current assets			
Cash at bank and on hand		1,619,406,929.69	420,707,294.65
Accounts receivable	16(1)	540,799,468.81	338,977,218.48
Advances to suppliers		4,326,007.99	5,524,838.14
Dividends receivable		-	68,146.67
Other receivables	16(2)	1,107,620,471.01	655,248,023.99
Inventories		2,411,111.65	1,425,434.87
Total current assets		3,274,563,989.15	1,421,950,956.80
Non-current assets			
Long-term prepayments		3,016,095.00	3,016,095.00
Available-for-sale financial assets	5(6)	30,170,000.00	30,170,000.00
Long-term receivables	16(3)	1,070,000,000.00	1,210,000,000.00
Long-term equity investments	16(4)	6,602,716,732.37	6,456,731,917.37
Investment properties		14,965,675.00	15,253,525.00
Fixed assets		569,048,274.00	557,392,774.26
Construction in progress		2,946,503.32	22,671,420.10
Intangible assets		4,641,992,011.65	4,739,650,469.50
Long-term prepaid expenses		762,315.35	1,219,704.41
Deferred tax assets		51,077,618.21	66,337,054.28
Total non-current assets		12,986,695,224.90	13,102,442,959.92
Total assets		16,261,259,214.05	14,524,393,916.72

Balance Sheet

As at 30 June 2014

(All amounts in RMB unless otherwise stated)

Liabilities and owners' equity	30 June 2014 (Unaudited)	31 December 2013 (Audited, restated)
Current liabilities		
Short-term borrowings	100,400,000.00	350,400,000.00
Accounts payable	32,571,655.74	48,248,517.62
Advances from customers	11,083,333.35	1,583,333.02
Employee benefits payable	21,657,652.90	64,618,304.14
Taxes payable	52,232,507.59	12,129,818.10
Interest payable	166,224,797.11	62,922,086.97
Dividends payable	107,640,000.08	–
Other payables	517,120,916.36	285,996,101.87
Current portion of non-current liabilities	497,032,754.92	428,967,101.05
Total current liabilities	1,505,963,618.05	1,254,865,262.77
Non-current liabilities		
Long-term borrowings	949,375,000.00	1,052,500,000.00
Bonds payable	4,092,317,097.69	3,094,536,966.01
Provisions	174,173,340.83	206,979,215.61
Total non-current liabilities	5,215,865,438.52	4,354,016,181.62
Total liabilities	6,721,829,056.57	5,608,881,444.39
Owners' equity		
Share capital	2,180,770,326.00	2,180,770,326.00
Capital surplus	2,315,587,934.74	2,315,587,934.74
Surplus reserve	1,681,423,475.54	1,681,423,475.54
Undistributed profits	3,361,648,421.20	2,737,730,736.05
Total owners' equity	9,539,430,157.48	8,915,512,472.33
Total liabilities and owners' equity	16,261,259,214.05	14,524,393,916.72

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Consolidated Income Statement

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2014 (Unaudited)	For the six months ended 30 June 2013 (Unaudited)
Revenue	5(31)	1,928,046,255.53	1,489,044,938.80
Less: Cost of services	5(31)	(916,230,568.96)	(693,048,022.00)
Business tax and surcharges	5(32)	(72,149,056.23)	(53,297,161.38)
Selling expenses		(2,090,095.01)	–
General and administrative expenses	5(33)	(29,439,101.85)	(25,412,441.91)
Financial expenses – net	5(34)	(239,899,536.99)	(293,672,370.58)
Add: Investment income	5(35)	108,300,525.75	89,318,063.02
Including: share of profit of associates and joint ventures		108,300,525.75	89,318,063.02
Operating profit		776,538,422.24	512,933,005.95
Add: Non-operating income	5(36)	1,507,244,993.60	775,842.48
Including: Gains on disposal of non-current assets		1,500,743,270.25	373,156.13
Less: Non-operating expenses	5(36)	(1,677,577.81)	(915,460.55)
Including: Losses on disposal of non-current assets		(71,358.29)	(218,102.43)
Total profit		2,282,105,838.03	512,793,387.88
Less: Income tax expenses	5(37)	(523,306,923.77)	(106,882,439.22)
Net profit		1,758,798,914.26	405,910,948.66
Net profit attributable to owners of the Company		1,697,330,182.85	385,542,987.48
Minority interests	4(2)	61,468,731.41	20,367,961.18
Earnings per share			
Basic earnings per share	5(38)	0.778	0.177
Diluted earnings per share	5(38)	0.778	0.177
Other comprehensive income	5(39)	217,066.91	2,191,738.55
Item that may be reclassified subsequently to profit and loss:			
Gain of cash flow hedges – after tax		217,066.91	2,191,738.55
Total comprehensive income		1,759,015,981.17	408,102,687.21
Attributable to owners of the Company		1,697,547,249.76	387,734,726.03
Minority interests		61,468,731.41	20,367,961.18

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Income Statement

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2014 (Unaudited)	For the six months ended 30 June 2013 (Unaudited)
Revenue	16(5)	773,025,942.95	543,433,034.48
Less: Cost of services	16(5)	(337,921,152.61)	(179,521,556.99)
Business tax and surcharges		(32,481,776.05)	(20,226,186.96)
General and administrative expenses		(16,130,807.01)	(21,259,524.12)
Financial expenses – net		(112,459,834.17)	(119,066,412.38)
Add: Investment income	16(6)	762,375,579.64	233,227,542.31
Including: share of profit of associates and joint ventures		108,300,525.75	89,318,063.02
Operating profit		1,036,407,952.75	436,586,896.34
Add: Non-operating income		7,316,911.47	2,400.00
Including: Gains on disposal of non-current assets		1,419,846.32	–
Less: Non-operating expenses		(1,209,329.87)	(52,838.10)
Including: Losses on disposal of non-current assets		(15,610.35)	(4,838.10)
Total profit		1,042,515,534.35	436,536,458.24
Less: Income tax expenses		(69,674,597.04)	(49,472,054.39)
Net profit		972,840,937.31	387,064,403.85
Other comprehensive income		–	–
Total comprehensive income		972,840,937.31	387,064,403.85

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Consolidated Cash Flow Statement

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2014 (Unaudited)	For the six months ended 30 June 2013 (Unaudited)
Cash flows from operating activities			
Cash received from rendering services		1,589,596,892.42	1,490,679,488.08
Cash received relating to other operating activities	5(40)(a)	184,332,133.95	39,912,215.60
Sub-total of cash inflows		1,773,929,026.37	1,530,591,703.68
Cash paid for goods and services		(252,388,576.28)	(264,586,054.05)
Cash paid to and on behalf of employees		(178,921,869.60)	(156,666,426.58)
Payments of taxes and surcharges		(198,498,917.63)	(183,696,421.66)
Cash paid relating to other operating activities	5(40)(b)	(359,625,794.39)	(116,096,646.08)
Sub-total of cash outflows		(989,435,157.90)	(721,045,548.37)
Net cash flows from operating activities	5(41)(a)	784,493,868.47	809,546,155.31
Cash flows from investing activities			
Cash received from recovery of investments		–	2,500,000.00
Cash received from returns on investments		34,984,223.28	21,800,000.00
Net cash received from disposal of intangible assets and other long-term assets		755,285,040.00	1,345,137.07
Cash received relating to other investing activities		8,963,412.67	16,352,663.29
Sub-total of cash inflows		799,232,675.95	41,997,800.36
Cash paid to acquire fixed assets and other long-term assets		(193,851,499.75)	(390,798,134.64)
Cash paid relating to other investing activities		(200,000.00)	(4,075,503.81)
Sub-total of cash outflows		(194,051,499.75)	(394,873,638.45)
Net cash flows from investing activities		605,181,176.20	(352,875,838.09)
Cash flows from financing activities			
Cash received from capital contributions		60,265,952.56	–
Including: Cash received from capital contributions by minority shareholders of subsidiaries		60,265,952.56	–
Cash received from borrowings		55,041,000.00	556,650,000.00
Cash received from bonds		994,250,000.00	–
Sub-total of cash inflows		1,109,556,952.56	556,650,000.00
Cash repayments of borrowings		(638,881,360.00)	(1,096,536,770.00)
Cash payments for interest expenses and distribution of dividends or profits		(444,141,329.41)	(469,171,030.18)
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		(33,334,969.11)	(80,445,098.25)
Cash payments relating to other financing activities	5(40)(c)	(301,214,032.71)	(548,344.67)
Sub-total of cash outflows		(1,384,236,722.12)	(1,566,256,144.85)
Net cash flows from financing activities		(274,679,769.56)	(1,009,606,144.85)
Effect of foreign exchange rate changes on cash		10,778.55	610,406.53
Net increase/(decrease) in cash	5(41)(b)	1,115,006,053.66	(52,325,421.10)
Add: Cash at beginning of period		1,089,636,663.10	1,954,204,126.56
Cash at end of period	5(41)(c)	2,204,642,716.76	1,401,878,705.46

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Cash Flow Statement

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

	Note	For the six months ended 30 June 2014 (Unaudited)	For the six months ended 30 June 2013 (Unaudited)
Cash flows from operating activities			
Cash received from rendering services		580,703,523.95	549,967,594.24
Cash received relating to other operating activities		118,182,779.59	5,683,978.29
Sub-total of cash inflows		698,886,303.54	555,651,572.53
Cash paid for goods and services		(120,133,102.36)	(85,178,991.17)
Cash paid to and on behalf of employees		(94,265,738.49)	(86,166,476.31)
Payments of taxes and surcharges		(48,518,564.17)	(63,585,489.52)
Cash paid relating to other operating activities		(16,482,604.22)	(18,041,385.95)
Sub-total of cash outflows		(279,400,009.24)	(252,972,342.95)
Net cash flows from operating activities	16(7)(a)	419,486,294.30	302,679,229.58
Cash flows from investing activities			
Cash received from recovery of investments		58,413,683.37	55,488,300.58
Cash received from returns on investments		689,059,277.17	165,709,479.27
Net cash received from disposal of fixed assets and other long-term assets		1,500,000.00	10,650.00
Cash received relating to other investing activities		375,292,300.41	730,043,924.89
Sub-total of cash inflows		1,124,265,260.95	951,252,354.74
Cash paid to acquire fixed assets and other long-term assets		(42,389,760.44)	(27,061,794.19)
Net cash paid to acquire subsidiaries and other business units		(131,014,049.21)	–
Cash paid relating to other investing activities		(390,000,000.00)	(707,700,946.00)
Sub-total of cash outflows		(563,403,809.65)	(734,762,740.19)
Net cash flows from investing activities		560,861,451.30	216,489,614.55
Cash flows from financing activities			
Cash received from borrowings		–	200,000,000.00
Cash received from bonds		994,250,000.00	–
Sub-total of cash inflows		994,250,000.00	200,000,000.00
Cash repayments of borrowings		(256,250,000.00)	(820,000,000.00)
Cash payments for interest expenses and distribution of dividends or profits		(279,305,451.06)	(241,645,369.85)
Cash payments relating to other financing activities		(300,211,347.35)	(490,302.94)
Sub-total of cash outflows		(835,766,798.41)	(1,062,135,672.79)
Net cash flows from financing activities		158,483,201.59	(862,135,672.79)
Effect of foreign exchange rate changes on cash		(13,607.71)	(2,331.19)
Net increase/(decrease) in cash	16(7)(b)	1,138,817,339.48	(342,969,159.85)
Add: Cash at beginning of period		415,547,266.82	1,166,746,594.52
Cash at end of period	16(7)(c)	1,554,364,606.30	823,777,434.67

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Consolidated Statement of Changes in Owners' Equity

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

Item	Attributable to owners of the Company				Minority interests	Total owners' equity
	Share capital	Capital surplus	Surplus reserve	Undistributed profits		
Opening balance on 1 January 2013	2,180,770,326.00	3,181,011,501.38	1,604,265,015.87	2,570,439,249.07	1,336,429,874.84	10,872,915,967.16
Movements for the six months ended 30 June 2013						
Net profit	-	-	-	385,542,987.48	20,367,961.18	405,910,948.66
Other comprehensive income	-	2,191,738.55	-	-	-	2,191,738.55
Profit distribution						
Profit distribution to equity owners	-	-	-	(283,500,142.38)	(83,284,399.85)	(366,784,542.23)
Ending balance on 30 June 2013 (unaudited)	2,180,770,326.00	3,183,203,239.93	1,604,265,015.87	2,672,482,094.17	1,273,513,436.17	10,914,234,112.14
Opening balance on 1 January 2014	2,180,770,326.00	3,182,754,363.49	1,681,423,475.54	2,929,472,264.02	1,264,565,231.15	11,238,985,660.20
Movements for the six months ended 30 June 2014						
Net profit	-	-	-	1,697,330,182.85	61,468,731.41	1,758,798,914.26
Other comprehensive income	-	217,066.91	-	-	-	217,066.91
Capital contribution	-	-	-	-	60,265,952.56	60,265,952.56
Profit distribution						
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(33,334,969.11)	(382,258,221.27)
Ending balance on 30 June 2014 (unaudited)	2,180,770,326.00	3,182,971,430.40	1,681,423,475.54	4,277,879,194.71	1,352,964,946.01	12,676,009,372.66

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Statement of Changes in Owners' Equity

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

Item	Share capital	Capital surplus	Surplus reserve	Undistributed profits	Total owners' equity
Opening balance on 1 January 2013	2,180,770,326.00	2,315,587,934.74	1,604,265,015.87	2,326,804,741.45	8,427,428,018.06
Movements for the six months ended 30 June 2013					
Net profit	-	-	-	387,064,403.85	387,064,403.85
Profit distribution					
Profit distribution to equity owners	-	-	-	(283,500,142.38)	(283,500,142.38)
Ending balance on 30 June 2013 (unaudited)	2,180,770,326.00	2,315,587,934.74	1,604,265,015.87	2,430,369,002.92	8,530,992,279.53
Opening balance on 1 January 2014	2,180,770,326.00	2,315,587,934.74	1,681,423,475.54	2,737,730,736.05	8,915,512,472.33
Movements for the six months ended 30 June 2014					
Net profit	-	-	-	972,840,937.31	972,840,937.31
Profit distribution					
Profit distribution to equity owners	-	-	-	(348,923,252.16)	(348,923,252.16)
Ending balance on 30 June 2014 (unaudited)	2,180,770,326.00	2,315,587,934.74	1,681,423,475.54	3,361,648,421.20	9,539,430,157.48

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

Legal representative: **YANG Hai** Chief Financial Officer: **GONG Taotao** Head of accounting department: **SUN Bin**

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

1 GENERAL INFORMATION

Shenzhen Expressway Company Limited (the 'Company') was established as a joint stock limited company in the People's Republic of China (the 'PRC') on 30 December 1996. The principal activities of the Company and its subsidiaries (collectively the 'Group') are the construction, operation and management of toll highways and expressways in the PRC.

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

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

The Company has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively.

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

These interim financial statements have not been audited.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

(1) Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the Application Guidance for Accounting Standard for Business Enterprises, the Interpretations of Accounting Standards for Business Enterprises and other relevant regulations issued thereafter (hereafter collectively referred to as "Chinese Accounting Standards"). Except for the changes in accounting policies stated in Note 2(28), other accounting policies applied in these financial statements are consistent with the Group's financial statements for the year ended 31 December 2013.

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

The financial statements for the six months ended 30 June 2014 are in compliance with the Chinese Accounting Standards, and truly and completely present the state of affairs as of 30 June 2014 and the operating results, cash flows and other information for the six months ended 30 June 2014 of the Group and the Company.

(3) Accounting year

The accounting year starts on 1 January and ends on 31 December. The accounting period of these financial statements starts on 1 January 2014 and ends on 30 June 2014.

(4) Functional currency

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

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

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

(5) Business combinations

(a) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(b) Business combinations involving enterprises not under common control

The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised in profit or loss for the current period. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognised amounts of the equity or debt securities.

(6) Preparation of consolidated financial statements

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

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

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

All significant inter-group balances, transactions and unrealised profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profit and losses for the period not attributable to Company are recognised as minority interests and presented separately in the consolidated financial statements within equity and net profit respectively.

(7) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, call deposits with banks and short-term and highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(8) Foreign currency translation

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

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

(9) Financial instruments

(a) Financial assets

(i) *Classification of financial assets*

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

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

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.

Notes to financial statements

For the six months ended 30 June 2014

(All amounts in RMB unless otherwise stated)

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

(9) Financial instruments (continued)

(a) Financial assets (continued)

(ii) *Recognition and measurement of financial assets*

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) *Impairment of financial assets*

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

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

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

(iv) *Derecognition of financial assets*

A financial assets is derecognised when one of the below criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; 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 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

(9) Financial instruments (continued)

(b) Financial liabilities

(i) *Classification of financial liabilities*

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

(ii) *Recognition and measurement*

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

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

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

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

(c) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using 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.

(d) Cash flow hedge

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

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

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

Notes to financial statements

For the six months ended 30 June 2014

(All amounts in RMB unless otherwise stated)

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

(9) Financial instruments (continued)

(d) Cash flow hedge (continued)

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

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

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

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

(10) Receivables

Receivables comprise accounts receivable, 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.

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

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(10) Receivables (continued)****(b) Receivables that are subject to provision by groups**

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

Basis of grouping:

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

Methods of collective assessment with provisioning percentage as below:

Group 1	Other method
Group 2	Ageing analysis method and other method

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

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

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

Name of the group	Explanation
Group 1 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.

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

The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

The provision for bad debts is determined based on the difference of the carrying amount and present value of estimated future cash flows.

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

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

(11) Inventories

(a) 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.

(b) 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.

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

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

(d) The Group adopts the perpetual inventory system.

(e) Amortisation methods of low value consumables

Low value consumables are expensed when issued.

(12) Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries 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.

(a) Determination of investment cost

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

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

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

(12) Long-term equity investments (continued)

(b) 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.

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

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

Control is the power to govern the financial and operating policies of the investee so as to obtain benefits from its operating activities. In determining whether the Company is able to exercise control over the investee, the effect of potential voting rights over the investee is considered, such as convertible debts and warrants currently exercisable.

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.

(d) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, joint ventures and associates is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note 2(19)).

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

(13) Investment properties

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

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

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

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

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

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

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

(14) Fixed assets

(a) Recognition and initial measurement of fixed assets

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

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

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(14) Fixed assets (continued)****(b) Depreciation methods of fixed assets**

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

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

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

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

(c) Impairment of fixed assets

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

(d) Disposal of fixed assets

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

(15) Construction in progress

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

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

(16) Borrowing costs

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

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

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

(17) Intangible assets

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

(a) Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost, which comprises construction related costs and borrowing costs that are eligible for capitalisation and incurred before the toll roads are ready for their intended use. The concession intangible assets are first stated at actual project costs or budget costs and then adjusted when project completion audit 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 certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911. The land-use right relating to Shenzhen Airport-Heao Expressway (Western Section) injected to the Company by the promoter of the Company during the restructuring period was stated at revaluation admitted by State-owned Assets Supervision and Administration Bureau 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 value specified in related investment agreement.

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

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**(17) Intangible assets (continued)****(a) Concession intangible assets (continued)**

The Company assesses of the total projected traffic volume annually. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies when material difference exists and probably endures 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 relative 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)	3.98
Yanpai Expressway	May 2006 to March 2027	1.49
Meiguan Expressway	May 1995 to March 2027	1.51 (Note 1)
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	1.22
Nanguang Expressway	January 2008 to January 2033	4.22
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	4.54
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	25.36

Note 1: As state in Note 5(7)(a), the Company implemented toll-free for section from Meilin to Guanlan of Meiguan Expressway with a distance of approximately 13.8 km ('Toll Free Section') from 24:00 on 31 March 2014. On 1 April 2014, the Company disposed the book value of assets in relation to the Toll Free Section and adjusted the unit usage of Meiguan Expressway from RMB3.18 to RMB1.51 on a prospective basis.

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.

(b) Other intangible assets

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

(c) Periodical review of useful life and amortisation method

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

(d) Impairment of intangible assets

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

Notes to financial statements

For the six months ended 30 June 2014

(All amounts in RMB unless otherwise stated)

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

(18) 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.

(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) Employee benefits

Employee benefits mainly include wages or salaries, bonuses, allowances and subsidies, staff welfare, social security contributions, housing funds, labour union funds, employee education funds and other expenditures incurred in exchange for service rendered by employees.

(a) Short-term wages

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

(b) Basic pension insurance

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

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

(20) Employee benefits (continued)

(c) The compensation for the termination of employment relationship

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

(21) 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.

(22) Dividends distribution

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

(23) 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.

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

(24) Revenue recognition

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

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

- (a) The Group's toll revenue from operation of the toll roads is recognised when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transaction can flow into the Group.
- (b) For construction management services income, when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.
- (c) For the service concessions contracts entered with the government departments, according to which the Group participates the developing, financing, operating and maintenance of toll road constructions, the Group recognised revenue and cost of services with the percentage of completion method during the construction period if the Group conduct the construction work on its own. The stage of completion is measured by reference to the construction costs of the related infrastructures incurred up to the settlement date as a percentage of total estimated costs for each contract. No construction services income would be recognised if the Group sub-contracts the work out to other parties.
- (d) Advertising revenue is recognised on a straight-line basis over the contract period.
- (e) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.
- (f) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

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

(25) Government grants

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

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

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

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

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

(26) Deferred tax assets and deferred tax liabilities

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

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

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

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

(26) 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.

(27) Segment information

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

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

(28) Changes in significant accounting policies

In 2014, Ministry of Finance issued and amended 'Accounting Standards for Enterprises No. 9 – Employee Benefits' (Revised in 2014), 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014), 'Accounting Standards for Enterprises No. 39 – Fair value measurement' (Issued in 2014), 'Accounting Standards for Enterprises No. 40 – Joint Arrangement' (Issued in 2014), 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' (Revised in 2014) and 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' (Issued in 2014).

The effective date of the above seven standards is 1 July 2014 and early adoption by enterprises with shares listed overseas is encouraged. Since the Company is a listed company with both A shares and H shares, the Company has early adopted 'Accounting Standards for Enterprises No. 9 – Employee Benefits' (Revised in 2014), 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014), 'Accounting Standards for Enterprises No. 33 – Consolidation' (Revised in 2014), 'Accounting Standards for Enterprises No. 39 – Fair value measurement' (Issued in 2014) and 'Accounting Standards for Enterprises No. 40 – Joint arrangement' (Issued in 2014) when preparing the financial statements for the year ended 31 December 2013. The Company further early adopted 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' (Revised in 2014) and 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' (Issued in 2014) when preparing the financial statements for the period ended 31 March 2014.

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

(28) Changes in significant accounting policies (continued)

Details and reasons for changes of accounting policies	Procedures for approval	Financial statement items affected	Amount affected
<p>(a) Long-term equity investment</p> <p>As stated above, the Company early adopted 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' (Revised in 2014) when preparing the financial statements for the period ended 31 March 2014. According to the revised standard, the Company's investment in Guangdong Untied Electronic Collection Inc ('United Electronic Company') applies 'Accounting Standards for Enterprises No. 22 – Financial instruments: recognition and measurement' and is reclassified from long-term equity investment to available-for-sale financial assets because it is an equity instrument which does not have a quoted market price in an active market and whose fair value cannot be reliably measured. According to applies 'Accounting Standards for Enterprises No. 22 – Financial instruments: recognition and measurement', such 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. Long-term equity investment and available-for-sale financial assets on comparative financial statements are restated accordingly.</p>	The changes of such accounting policies have been approved by the Board of Directors of the Company on 29 April 2014.	Long-term equity investment and available-for-sale financial assets	The investment in United Electronic Company amounting to 30,170,000.00 as at 31 March 2014 and 31 December 2013 were reclassified from long-term equity investment to available-for-sale financial assets.
<p>(b) Disclosure of interests in other entities</p> <p>As stated above, the Company further early adopted 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' (Issued in 2014) when preparing the financial statements for the period ended 31 March 2014. These changes in accounting policies impact the disclosure of separate financial statement information of those subsidiaries with significant minority interests as well as of significant joint ventures and significant associates of the Company. These changes in accounting policies do not have any impact on the Group's financial position as at 30 June 2014 and its operating results and cash flows for the six month period then ended.</p>	The changes of such accounting policies have been approved by the Board of Directors of the Company on 29 April 2014.	None	–

(29) Critical accounting estimates and judgments

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

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

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

As stated in Note 2 (24)(b), when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method.

During current period, the directors of the Company recognised construction management services income and costs of Guangshen Coastal Expressway (Shenzhen Section) (the 'Coastal Project Phase I') according to the optimum estimation on the total investment top limit, project costs as well as other construction management services costs; the directors of the Company recognised construction management services income of Guilong Road by 'Build – Transfer' mode ('Longli BT Project') according to the optimum estimation on the project costs.

If the audited total investment top limit and project costs as well as the actual construction management services income costs of Coastal Project Phase I and the actual project costs of Longli BT Project are different from management's current estimates, the construction management services income and costs will be changed prospectively.

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

(29) Critical accounting estimates and judgments (continued)

(b) Amortisation of concession intangible assets

As stated at Note 2(17)(a), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the amortisation of concession intangible assets will be made should there be a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies to its main toll roads in 2006, 2010 and 2013 and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

(c) Provisions for maintenance/resurfacing obligations

As stated at Note 2(23), 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.

(d) Income tax and deferred tax

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

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

3 TAXATION

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

Category	Tax base	Tax rate
Corporate income tax ('CIT') (i)	Taxable income	25%
Business tax	Revenue from expressway toll road business	3%
	Revenue from businesses other than expressway toll road	5%
Business tax		
City maintenance and construction tax	Amount of business tax paid	7%
Educational surcharge	Amount of business tax paid	3%
Local educational surcharge	Amount of business tax paid	2%
Construction fee for culture undertakings (ii)	Amount of revenue	3%
Value added tax	Taxable advertisement income	6%

(i) CIT

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

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

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.

According to the Notice of Tax Matters ('Long Di Shui (2014) No.53') issued by Local Tax Bureau of Longli County, Guizhou Province in 2014, Guishen Company, the subsidiary of the Company, is entitled to CIT verification collection method for the period from 1 January 2014 to 31 December 2014 and the taxable income is calculated at 8% of total revenue for the period from 1 January 2014 to 31 December 2014.

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

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Background of subsidiaries

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

	Type	Place of registration	Nature of business and principal activities	Registered capital	Bonds issued	Scope of business	Nature	Legal representative	Code of organisation
Outer Ring Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB100,000,000	-	Construction, operation and management of the Shenzhen section of Shenzhen Outer Ring Expressway	Limited liability company	Wu Ya De	55543683-6
Expressway Investment Company	Direct and indirect holding	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000	-	Industrial investment and project construction	Limited liability company	Ge Fei	440304-180904
Guishen Company	Indirect holding*	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000	-	Investment, construction and management of road and urban and rural infrastructure	Limited liability company	Ge Fei	522730-001615
Guishen Land Company	Indirect holding*	Longli County, Guizhou Province, PRC	Comprehensive Land Development	RMB1,000,000	-	Comprehensive Land development and real estate development	Limited liability company	Ge Fei	07200031-7
Shengbo Company	Indirect holding*	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000	-	land development and real estate development	Limited liability company	Ge Fei	07849092-7
Pengbo Company	Indirect holding*	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000	-	land development and real estate development	Limited liability company	Lei Yu Hong	08567401-1
Yuelong Company	Indirect holding*	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000	-	land development and real estate development	Limited liability company	Lei Yu Hong	08567405-4
Property Company	Indirect holding**	Shenzhen City, Guangdong Province, PRC	Property management	RMB1,000,000	-	Property management and landscaping	Limited liability company	Chen Hao	09392189-5

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

** Expressway Investment Company holds 100% equity interests of Property Company.

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Background of subsidiaries (continued)

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

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting right	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
Outer Ring Company	100,000,000.00	-	100%	100%	Yes	-	Not applicable
Expressway Investment Company	400,000,000.00	-	100%	100%	Yes	-	Not applicable
Guishen Company	350,000,000.00	-	70%	70%	Yes	216,039,821.86	-
Guishen Land Company	700,000.00	-	70%	70%	Yes	-	Not applicable
Shengbo Company	700,000.00	-	70%	70%	Yes	-	Not applicable
Pengbo Company	700,000.00	-	70%	70%	Yes	-	Not applicable
Yuelong Company	700,000.00	-	70%	70%	Yes	-	Not applicable
Property Company	1,000,000.00	-	100%	100%	Yes	-	Not applicable

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

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

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

	Ending balance of actual investment	Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders
JEL Company	529,047,676.44	-	55%	55%	Yes	400,638,856.68	-
Magerk Company	231,883,200.00	-	55%	55%	Yes	-	Not applicable

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(1) Background of subsidiaries (continued)

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

	Type	Place of registration	Nature of business and principal activities	Registered capital	Bond issued	Scope of business	Nature	Legal representative	Code of organisation
Qinglian Company	Direct and indirect holding	Qingyuan City, Guangdong Province, PRC	Operation and management of highways	RMB3,361,000,000	-	Development, operation and management of Qinglian Expressway and National Highway No.107 (Qinglian Section)	Limited liability company	Wu Ya De	61806320-6
Advertising Company	Direct and indirect holding	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000	-	Design, prepare and agent advertising and the related consultancy	Limited liability company	Luo Cheng Bao	19224838-4
Meiguan Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB332,400,000	-	Toll management of the expressway from Meilin to Guanlan	Limited liability company	Liao Xiang Wen	61887636-2
Mei Wah Company	Direct holding	Hong Kong	Investment holding	HKD795,381,300	-	Investment holding	Foreign enterprise	Not applicable	Not applicable
Maxprofit Company	Indirect holding	British Virgin Islands	Investment holding	USD82,780,081	-	Investment holding	Foreign enterprise	Not applicable	Not applicable
Airport-Heao Eastern Company	Direct holding	Shenzhen City, Guangdong Province, PRC	Operation and management of highways	RMB440,000,000	-	Toll management of the eastern expressway from Shenzhen airport to Heao	Limited liability company	Liao Xiang Wen	61892043-1
			Ending balance of other items which forms substantially part of the net investment in the subsidiary	Share holding	Voting rights	Consolidated or not	Minority interests	Amount of loss attributed to the minority shareholders	
Qinglian Company			Ending balance of actual investment						
Qinglian Company			2,994,464,875.75	-	76.37%	76.37%	Yes	736,286,267.47	41,701.31
Advertising Company			3,500,000.01	-	100%	100%	Yes	-	Not applicable
Meiguan Company			630,590,725.39	-	100%	100%	Yes	-	Not applicable
Mei Wah Company			831,769,303.26	-	100%	100%	Yes	-	Not applicable
Maxprofit Company			933,069,337.68	-	100%	100%	Yes	-	Not applicable
Airport-Heao Eastern Company			945,218,834.12	-	100%	100%	Yes	-	Not applicable

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

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(1) Background of subsidiaries (continued)****(e) Newly incorporate unit in this period**

	Net assets as at 30 June 2014	Net loss for the six months ended 30 June 2014
Property Company	990,927.41	(9,072.59)

Property Company was newly incorporated by the Expressway Investment Company in the current period. Net loss in current period represented its net loss incurred from the incorporation date to 30 June 2014.

(2) Subsidiaries with material minority interests

	Minority shareholders	Minority interests at 30 June 2014	Net profit attributable to minority shareholders for the period ended 30 June 2014	Dividend declared by subsidiaries to the minority shareholders for the period ended 30 June 2014
Qinglian Company	Guangdong Cement Company Limited	736,286,267.47	(41,701.31)	–
JEL Company	Flywheel Investments Limited	400,638,856.68	25,618,161.89	33,334,969.11
Guishen Company	CCCC-SHB Fifth Engineering Co., Ltd.	216,039,821.86	35,892,270.83	–
		1,352,964,946.01	61,468,731.41	33,334,969.11

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

(a) Financial position

	Qinglian Company		JEL Company		Guishen Company	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Current assets	134,437,489.79	166,550,814.43	198,330,302.70	184,360,509.29	1,287,428,321.21	971,173,552.99
Non-current assets	8,783,690,303.79	8,924,804,111.52	856,413,826.04	902,700,242.37	1,496,684.94	1,547,586.45
Current liabilities	(395,003,617.16)	(567,406,571.39)	(11,712,795.46)	(19,064,789.49)	(568,792,266.62)	(288,738,882.14)
Non-current liabilities	(5,410,288,819.97)	(5,665,976,524.31)	(152,722,762.87)	(160,538,931.28)	–	(83,490,000.00)
Net assets	3,112,835,356.45	2,857,971,830.25	890,308,570.41	907,457,030.89	720,132,739.53	600,492,257.30

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

4 BUSINESS COMBINATIONS AND THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Subsidiaries with material minority interests (continued)

(b) Operating results

	Qinglian Company		JEL Company		Guishen Company	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Revenue	406,171,389.17	343,056,382.54	171,654,047.04	191,996,677.54	155,108,737.15	4,636,978.49
Total (loss)/profit	(235,301.53)	(48,494,253.41)	75,904,214.87	85,596,325.02	122,743,508.51	530,355.24
Net (loss)/profit	(176,476.15)	(36,741,928.70)	56,929,248.65	64,202,160.77	119,640,902.75	530,355.24
Other comprehensive income	-	-	-	-	-	-
Total comprehensive income	(176,476.15)	(36,741,928.70)	56,929,248.65	64,202,160.77	119,640,902.75	530,355.24
Total comprehensive income attributable to the minority interests	(41,701.31)	(8,682,117.75)	25,618,161.89	28,890,972.36	35,892,270.83	159,106.57

(c) Cash flows

	Qinglian Company		JEL Company		Guishen Company	
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Net cash flows generated from/ (used in) operating activities	309,186,677.64	261,864,758.75	85,827,261.93	85,556,301.45	(101,923,322.66)	(88,635,984.83)
Net cash flows (used in)/generated from investing activities	(67,384,975.84)	(185,991,061.97)	998,353.53	(1,334,671.22)	78,775.49	535,151.62
Net cash flows (used in)/generated from financing activities	(275,999,856.83)	952,985.84	(74,081,301.11)	(182,239,166.80)	53,952,320.78	33,208,511.25
Cash at beginning of period	127,976,048.01	48,433,279.35	75,052,440.92	218,160,620.57	254,788,909.30	201,371,123.92
Cash at end of period	93,781,984.05	125,255,504.27	87,796,964.75	120,142,278.55	206,896,682.91	146,478,801.96

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

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

(1) Cash at bank and on hand

	30 June 2014			31 December 2013		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Cash on hand						
RMB			12,339,197.15			13,199,657.53
USD	11,321.00	6.1528	69,655.85	11,321.00	6.0969	69,023.00
Other foreign currencies			34,427.90			65,910.63
Subtotal			12,443,280.90			13,334,591.16
Bank deposits						
RMB			2,255,058,910.22			1,080,299,887.84
HKD	2,719,476.58	0.7938	2,158,720.52	1,447,853.77	0.7862	1,138,302.63
USD	3,921.55	6.1528	24,128.51	3,921.55	6.0969	23,909.30
Subtotal			2,257,241,759.25			1,081,462,099.77
Total			2,269,685,040.15			1,094,796,690.93

The Company is engaged to manage highway construction projects. As at 30 June 2014, project funds retained for construction management were RMB65,042,323.39 (31 December 2013: RMB1,371,284.40). The above project funds retained for construction management were disclosed as restricted bank balances in cash flow statement (Note 5(41)(c)).

(2) Accounts receivable

	30 June 2014	31 December 2013
Accounts receivable	843,270,802.78	495,364,307.64
Less: provision for bad debts	–	(33,500.00)
	843,270,802.78	495,330,807.64

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

	30 June 2014	31 December 2013
Within 1 year	635,428,954.04	292,931,673.58
1 to 2 years	135,623,502.46	181,982,712.71
2 to 3 years	71,373,246.28	14,250.00
Over 3 years	845,100.00	20,435,671.35
	843,270,802.78	495,364,307.64

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(2) Accounts receivable (continued)

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

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
– Group 1	718,304,459.40	85.18%	-	-	404,791,473.15	81.72%	-	-
– Group 2	124,966,343.38	14.82%	-	-	90,572,834.49	18.28%	33,500.00	0.04%
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	843,270,802.78	100.00%	-	-	495,364,307.64	100.00%	33,500.00	0.01%

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

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	124,535,820.41	99.66%	-	-	90,534,919.40	99.95%	-	-
1 to 2 years	430,522.97	0.34%	-	-	4,415.09	0.01%	-	-
Over 3 years	-	-	-	-	33,500.00	0.04%	33,500.00	100.00%
	124,966,343.38	100.00%	-	-	90,572,834.49	100.00%	33,500.00	100.00%

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

	Relationship with the Group	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	Controlled by the ultimate holding company, together with the Company	331,750,352.01	39.34%	-	105,562,861.17	21.31%	-
Shenzhen Baotong Highway Construction and Development Company Limited ('Baotong Company')	Controlled by the parent company, together with the Company	2,295,854.23	0.27%	-	2,295,854.23	0.46%	-
		334,046,206.24	39.61%	-	107,858,715.40	21.77%	-

(e) As at 30 June 2014 and 31 December 2013, there was no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(2) Accounts receivable (continued)**

(f) As at 30 June 2014, the five largest accounts receivable are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Due from Coastal Company in relation to the project management services provided to Coastal Project Phase I	Controlled by the ultimate holding company, together with the Company	331,750,352.01	1 to 3 years	39.34%
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project and Guilong Urban Economic Zone Wangguan Comprehensive Resettlement Area Project Phase I ('Longli Resettlement (Phase I) Project')	Independent third party	240,261,666.72	Within 1 year	28.49%
Due from Shenzhen Traffic and Transportation Committee ('Shenzhen Transportation Bureau') in relation to the project management services provided to Nanping Freeway (Phase II) Project ('Nanping (Phase II) Project')	Independent third party	139,088,969.15	1 to 3 years	16.49%
Revenue from revenues through unitoll cards	Independent third party	45,189,850.00	Within 1 year	5.36%
Due from Shenzhen Traffic Public Facilities Construction Center in relation to the project management services provided to Longda Municipal Section	Independent third party	4,268,557.01	1 to 2 years	0.51%
		760,559,394.89		90.19%

(g) As at 30 June 2014 and 31 December 2013, all accounts receivable were denominated in RMB.

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Other receivables

	30 June 2014	31 December 2013
Deposits receivable in relation to bonds sold-back (a)	300,000,000.00	–
Advances	172,611,563.81	157,163,045.20
Others	8,142,127.22	8,785,933.37
	480,753,691.03	165,948,978.57
Less: provision for bad debts	–	–
	480,753,691.03	165,948,978.57

(a) In June 2014, the Company paid deposits amounting to RMB300 million to China Securities Depository and Clearing Corporation Limited Shanghai Branch for the usage of investors' selling-back of the long term corporate bonds with par value of RMB1.5 billion issued by the Company in 2011. A total RMB3,000.00 amount was sold back according to the declaration result in July 2014. The Company has recollected the deposits in July 2014.

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

	30 June 2014	31 December 2013
Within 1 year	474,390,460.73	155,109,068.00
1 to 2 years	3,429,468.20	3,724,794.47
2 to 3 years	1,450,056.04	7,115,116.10
Over 3 years	1,483,706.06	–
	480,753,691.03	165,948,978.57

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

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	–	–	–	–	–	–	–	–
Provision made collectively								
– Group 1	171,570,108.15	35.69%	–	–	156,994,438.43	94.60%	–	–
– Group 2	309,183,582.88	64.31%	–	–	8,954,540.14	5.40%	–	–
Not individually significant but – provision separately made	–	–	–	–	–	–	–	–
	480,753,691.03	100.00%	–	–	165,948,978.57	100.00%	–	–

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Other receivables (continued)

(d) Other receivables in Group 2 of which provision was made collectively using ageing analysis method is analysed as follows:

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	305,777,597.58	98.90%	-	-	5,735,296.57	64.05%	-	-
1 to 2 years	472,223.20	0.15%	-	-	1,844,794.47	20.60%	-	-
2 to 3 years	1,450,056.04	0.47%	-	-	1,374,449.10	15.35%	-	-
Over 3 years	1,483,706.06	0.48%	-	-	-	-	-	-
	309,183,582.88	100.00%	-	-	8,954,540.14	100.00%	-	-

(e) Other receivables from related parties are analysis as follows:

	Relationship with the Group	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Coastal Company	Controlled by the ultimate holding company, together with the Company	2,854,161.60	0.59%	-	8,385,331.16	5.05%	-
Shenzhen Expressway Engineering Consulting Company Limited ('Consulting Company')	An associate of the Company	46,247.00	0.01%	-	8,472.00	0.01%	-
Shenzhen Huayu Expressway Investment Company Limited ('Huayu Company')	An associate of the Company	20,000.00	0.01%	-	20,000.00	0.01%	-
Shenzhen Longda Expressway Company Limited ('Longda Company')	Controlled by the parent company, together with the Company	10,000.00	0.00%	-	10,000.00	0.01%	-
United Electronic Company	One of its directors is the company's key management personnel	6,780.00	0.00%	-	6,620.00	0.00%	-
		2,937,188.60	0.61%	-	8,430,423.16	5.08%	-

Notes to financial statements

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(3) Other receivables (continued)

(f) As at 30 June 2014, the five largest other receivables are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Deposits receivable from China Securities Depository and Clearing Corporation Limited Shanghai Branch in relation to bonds sold-back	Independent third party	300,000,000.00	Within 1 year	62.40%
Advance due from Guizhou Longli County Government in relation to the Longli BT Project	Independent third party	168,158,336.44	Within 1 year	34.98%
Advance of funds paid on behalf of Coastal Company	Controlled by the ultimate holding company, together with the Company	2,854,161.60	Within 1 year	0.59%
Advances of charges for water and electricity paid on behalf of Nanguang Checkpoint Station	Independent third party	1,187,778.47	1 to 4 years	0.25%
Advance of funds paid on behalf of from Guangdong Jingtong Highway Project Company	Independent third party	629,535.21	1 to 3 years	0.13%
		472,829,811.72		98.35%

(g) As at 30 June 2014 and 31 December 2013, all other receivables were denominated in RMB.

(4) Advances to suppliers

	30 June 2014	31 December 2013
Advances for acquisition of land use right (a)	334,802,594.89	125,551,827.34
Others	9,063,622.62	9,258,074.41
	343,866,217.51	134,809,901.75

(a) As at 30 June 2014, 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 930 mu. The amount was recorded in advances to suppliers as the delivery conditions in the acquisition contract had not been met. The Company plans to transfer the land use right in open market or develop the land on its own or through cooperation with others.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(4) Advances to suppliers (continued)**

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

	30 June 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	343,298,187.51	99.83%	134,112,305.08	99.48%
1 to 2 years	12,000.00	0.00%	697,596.67	0.52%
2 to 3 years	556,030.00	0.17%	–	–
	343,866,217.51	100.00%	134,809,901.75	100.00%

As at 30 June 2014, advances to suppliers with aging over 1 year mainly represent advances made for design fee which were not fully settled since the contracts have not been completed.

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

	Relationship with the Group	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Consulting Company	An associate of the Company	3,102,560.00	0.90%	–	3,035,060.00	2.25%	–

(d) As at 30 June 2014 and 31 December 2013, there were no advances to shareholders holding more than 5% (including 5%) of the voting rights of the Company.

(e) As at 30 June 2014, the five largest advances to suppliers are analysed as follows:

	Relationship with the Group	Amount	Ageing	% of total balance
Advances to Guizhou Longli County Government in relation to acquisition of land use right	Independent third party	334,802,594.89	Within 1 year	97.36%
Advances to Consulting Company in relation to detecting expenses and supervision expenses	An associate of the Company	3,102,560.00	Within 1 year	0.90%
Advances to Aisino Corporation in relation to devices fund	Independent third party	776,837.01	Within 1 year	0.23%
Advances to PICC Property and Casualty Company Limited Shenzhen Branch in relation to insurance fee	Independent third party	538,369.00	Within 1 year	0.16%
Advances to China Railway Fourth Survey and Design Institute Group Company Limited Shenzhen Branch in relation to design fee	Independent third party	456,030.00	1 to 2 years	0.13%
		339,676,390.90		98.78%

(f) As at 30 June 2014 and 31 December 2013, all advances to suppliers were denominated in RMB.

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(5) Inventories

	30 June 2014	31 December 2013
Land to be developed (a)	350,514,857.39	342,246,344.33
Toll tickets	3,800,140.89	2,249,284.15
Maintenance and repair parts	573,654.87	348,798.49
Low value consumables	165,659.75	166,667.75
Others	–	7,024.00
	355,054,312.90	345,018,118.72

- (a) Guishen Company and its subsidiaries have succeeded in tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 1,863 mu since year 2012, in which 933 mu have been granted the land use right certificates and the related purchase and other direct costs were recognised as inventories based on its intention of holding.
- (b) As at 30 June 2014, no provision for declines in the value of inventories has been made by the Group (31 December 2013: nil).

(6) Available-for-sale financial assets

	2014	2013
1 January (audited)	–	–
Reclassified from long-term equity investment due to changes in accounting policies (Note 2(28)(a))	30,170,000.00	30,170,000.00
1 January (restated)	30,170,000.00	30,170,000.00
Changes in current period/year	–	–
30 June/31 December	30,170,000.00	30,170,000.00

As at 30 June 2014 and 31 December 2013, available-for-sale financial assets represented the Company's investment in 15% of United Electronic Company's equity interests which were measured at cost as they did not have a quoted market price in an active market and whose fair value cannot be reliably measured.

At 30 June 2014, no provision for impairment of available-for-sale financial assets was required (31 December 2013: nil).

(7) Long-term receivables

	30 June 2014	31 December 2013
Receivables from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (a)	2,146,743,247.21	–
Less: Unrealised financing income	(223,937,912.96)	–
	1,922,805,334.25	–

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(7) Long-term receivables (continued)

- (a) As approved by the Board of Directors of the Company on 26 January 2014, the Company, Meiguan Company (a subsidiary of the Company) entered into an 'Agreement on the compensation of the adjustment of Meiguan Expressway and transfer of related assets' ('Adjustment Agreement') with Shenzhen Transportation Bureau and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to the Adjustment Agreement, the Company implemented toll-free for section from Meilin to Guanlan of Meiguan Expressway with a distance of approximately 13.8 km ('Toll Free Section') from 24:00 on 31 March 2014, but the toll of Shenzhen-Dongguan border to Guanlan of Meiguan Expressway with a distance of 5.4 km will remain unchanged. The People's Government of Shenzhen would make cash compensation to the Company, including the compensation of the present value of future income of the Toll Free Section of approximately RMB1,597,950,000.00 and other relevant costs/expenses of approximately RMB1,102,370,000.00 (preliminary figure, subject to the actual amount or audit figure of the relevant governmental audit department) ('Compensation resulted from the toll adjustment of Meiguan Expressway'). The Group disposed related intangible assets, fixed assets and construction in progress with net book values on 1 April 2014 of RMB792,538,218.87, RMB37,420,064.23 and RMB2,625,214.83 respectively which were calculated based on estimation using the highway distance and location of material structures and ancillary facilities. The Group recognised gains and net profit after tax of RMB1,499,322,223.93 and RMB1,117,328,641.89 respectively from disposal of related assets. The Group received the first payment of the Compensation resulted from the toll adjustment of Meiguan Expressway amounting to RMB800 million in April 2014. According to the Adjustment Agreement, the Shenzhen Government would need to pay another RMB800 million and the remaining compensation as well as its interests to the Group before 31 August 2015 and before 31 December 2016 respectively.
- (b) Interest income recognised in current period using effective interest method was RMB32,158,945.42 (the same period in 2013: nil).
- (c) At 30 June 2014, no provision for impairment of long-term receivables was required (31 December 2013: nil).

(8) Long-term equity investments

	30 June 2014	31 December 2013
A joint venture, unlisted (a)	188,457,556.76	183,996,250.12
Associates, unlisted (b)	1,459,141,263.62	1,390,218,121.12
	1,647,598,820.38	1,574,214,371.24

No substantial restriction existed which prohibited the recovery of long-term equity investments of the Group.

As at 30 June 2014, no provision for impairment of long-term equity investments was required (31 December 2013: nil).

- (a) Investment in a joint venture

	Accounting method	Ending balance of investment cost	31 December 2013	Share of net profit during current period	30 June 2014	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment	Impairment provided in the current period
Changsha Shenchang Expressway Company Limited ('Shenchang Company')	Equity method	331,111,185.04	183,996,250.12	4,461,306.64	188,457,556.76	51%	(i)	(i)	-	-

- (i) According to the related joint venture contracts and articles of incorporation, the principal financial and operating decisions of the joint venture shall be made based on the common consent of both investment parties. As a result, the joint venture is deemed as the Company's joint venture and is accounted for using equity method.

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Long-term equity investments (continued)

(b) Investment in associates

	Current period movement					30 June 2014	Equity interest held	Voting rights held	Explanation of inconsistency between equity interest held and voting rights held	Impairment provided in current period	
	Accounting method	Ending balance of investment cost	31 December 2013	Share of net profit/(loss)	Cash dividend declared						Investment cost recovered
Shenzhen Qinglong Expressway Company Limited (“Qinglong Company”)	Equity method	147,875,345.09	152,251,021.13	31,278,950.85	-	-	40%	Not applicable	-		
Consulting Company	Equity method	2,134,142.45	19,229,296.35	1,547,041.69	(840,000.00)	-	24%	Not applicable	-		
Huiyu Company	Equity method	59,851,927.88	47,039,552.57	(1,066,719.32)	-	-	40%	Not applicable	-		
Guangdong Jiangzhong Expressway Company Limited (“Jiangzhong Company”)	Equity method	308,180,000.00	292,404,222.22	2,507,542.43	-	-	25%	Not applicable	-		
Nanning Yangtze River Third Bridge Company Limited (“Nanjing Third Bridge Company”)	Equity method	254,526,376.43	265,732,321.32	13,825,463.65	(2,576,076.61)	-	25%	Not applicable	-		
Guangdong Yangtze Expressway Company Limited (“Yangtze Company”)	Equity method	249,340,567.72	258,779,973.01	32,960,705.44	(22,500,000.00)	-	25%	Not applicable	-		
Guangzhou Western Second Ring Expressway Company Limited (“GZ W2 Company”)	Equity method	250,000,000.00	229,970,739.53	6,064,839.89	-	-	25%	Not applicable	-		
Yuntu Guangyun Expressway Company Limited (“Guangyun Company”)	Equity method	128,020,863.77	124,810,994.99	16,721,394.48	(9,000,000.00)	-	30%	Not applicable	-		
			1,390,218,121.12	103,839,219.11	(34,916,076.61)	-			-		
						183,529,971.98					
						19,936,338.04					
						45,972,833.25					
						294,911,764.65					
						276,981,708.36					
						269,240,078.45					
						236,035,379.42					
						132,532,389.47					
						1,459,141,263.62					

The Company's 40% equity investment in Qinglong Company is pledged as security for long-term borrowings amounting to RMB565,000,000.00 (Note 5(24)(a)).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(8) Long-term equity investments (continued)

(c) A joint venture and associates

	Equity interest held	Voting rights held	30 June 2014			For the six months ended 30 June 2014		
			Total assets	Total liabilities	Net assets	Revenue	Net profit/(loss)	
Joint ventures –								
Shenchang Company	51%	51%	380,121,803.12	10,597,182.02	369,524,621.10	28,108,189.51	8,747,660.08	
Associates –								
Qinglong Company	40%	40%	2,128,028,468.87	1,673,293,565.57	454,734,903.30	237,217,934.07	78,197,377.13	
Consulting Company	24%	24%	175,964,453.22	92,896,378.05	83,068,075.17	105,050,934.81	6,446,007.04	
Huayu Company	40%	40%	458,111,604.53	343,179,521.40	114,932,083.13	38,543,712.84	(2,666,798.30)	
Jiangzhong Company	25%	25%	2,465,486,504.74	1,406,379,446.14	1,059,107,058.60	184,560,858.86	10,030,169.72	
Nanjing Third Bridge Company	25%	25%	3,225,474,132.85	2,117,547,299.41	1,107,926,833.44	205,421,886.07	55,301,854.60	
Yangmao Company	25%	25%	1,713,139,978.08	816,837,264.28	896,302,713.80	284,787,325.97	131,842,821.84	
GZ W2 Company	25%	25%	2,530,477,907.22	1,586,335,589.54	944,142,317.68	154,987,118.70	24,259,359.56	
Guangyun Company	30%	30%	1,277,107,802.34	835,333,170.77	441,774,631.57	143,203,546.80	55,737,981.60	
			13,973,790,851.85	8,871,802,235.16	5,101,988,616.69	1,353,773,318.12	359,148,773.19	

(d) The directors of the Company considered that the Group has no material joint venture or associate for the period ended 30 June 2014 as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Group for the period ended 30 June 2014.

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(9) Investment properties

	Car parking spaces
Cost	
31 December 2013 and 30 June 2014	18,180,000.00
Accumulated amortisation	
31 December 2013	(2,926,475.00)
Current period additions	(287,850.00)
30 June 2014	(3,214,325.00)
Net book value	
30 June 2014	14,965,675.00
31 December 2013	15,253,525.00

As at 30 June 2014, no provision for impairment loss of investment properties was required (31 December 2013: nil).

(10) Fixed assets

	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
Cost					
31 December 2013	641,494,552.03	1,164,098,738.87	31,214,309.18	56,146,459.22	1,892,954,059.30
Transfers from construction in progress in current period (Note 5(11))	308,326.00	35,763,001.88	–	–	36,071,327.88
Other additions in current period	–	25,374,663.18	729,665.00	1,192,959.94	27,297,288.12
Disposal in relation to the Toll Free Section of Meiguan Expressway in current period (Note 5(7)(a))	(30,990,000.00)	(70,087,583.16)	–	(2,830,667.55)	(103,908,250.71)
Other reductions in current period	–	–	(295,790.00)	(733,076.04)	(1,028,866.04)
30 June 2014	610,812,878.03	1,155,148,820.77	31,648,184.18	53,775,675.57	1,851,385,558.55
Accumulated depreciation					
31 December 2013	162,098,277.13	552,792,851.09	22,331,821.44	42,906,967.97	780,129,917.63
Current period additions	12,289,026.91	47,322,860.72	1,502,911.31	2,130,299.78	63,245,098.72
Disposal in relation to the Toll Free Section of Meiguan Expressway in current period (Note 5(7)(a))	(18,225,886.52)	(45,633,756.66)	–	(2,628,543.30)	(66,488,186.48)
Other reductions in current period	–	(3,451.82)	(281,000.50)	(708,139.65)	(992,591.97)
30 June 2014	156,161,417.52	554,478,503.33	23,553,732.25	41,700,584.80	775,894,237.90
Net book value					
30 June 2014	454,651,460.51	600,670,317.44	8,094,451.93	12,075,090.77	1,075,491,320.65
31 December 2013	479,396,274.90	611,305,887.78	8,882,487.74	13,239,491.25	1,112,824,141.67

As at 30 June 2014, the Group has buildings with net book value of RMB328,450,243.03 (cost of RMB466,179,375.77) lacking certificates of ownership (31 December 2013: net book value of RMB350,170,169.42, cost of RMB497,169,375.77). 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.

For the six months ended 30 June 2014, depreciation amounting to RMB60,844,440.00 (the same period in 2013: RMB58,259,129.98) and RMB2,400,658.72 (the same period in 2013: RMB3,297,326.55) has been charged into costs of services and general and administrative expenses, respectively.

As at 30 June 2014, no provision for impairment of fixed assets is required (31 December 2013: nil).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(11) Construction in progress

Name	Budget amount	31 December 2013	Current period additions	Transfer to fixed assets	Disposal in relation to the Toll Free Section of Meiguan Expressway in current period Note 5(7)(a)	30 June 2014	Source of funds	% contribution in budget of current period	Progress of construction
Toll-by-weight projects	22 million	13,905,659.64	-	(13,033,916.13)	(721,743.51)	150,000.00	Self-owned funds	-	In progress
Billboard and light box projects	10 million	3,707,530.00	359,561.00	(308,326.00)	-	3,758,765.00	Self-owned funds	3.60%	In progress
Integrated toll system projects	82 million	3,443,800.00	10,189,010.59	(13,267,753.51)	(351,435.08)	13,622.00	Self-owned funds	12.43%	In progress
Toll lanes reconstruction projects	5 million	3,477,755.27	-	(3,477,755.27)	-	-	Self-owned funds	-	Completed
Others	*	11,805,762.67	672,467.08	(5,983,576.97)	(1,552,036.24)	4,942,616.54	Self-owned funds	*	In progress
Total		36,340,507.58	11,221,038.67	(36,071,327.88)	(2,625,214.83)	8,865,003.54			

* The budgets of these projects were not disclosed as the amounts are not material.

As at 30 June 2014, no provision for impairment of construction in progress was required (31 December 2013: nil).

(12) Intangible assets

	Cost	31 December 2013	Current period additions	Current period amortisation	Disposal in relation to the Toll Free Section of Meiguan Expressway in current period Note 5(7)(a)	30 June 2014	Accumulated amortisation
Concession intangible assets	20,328,313,837.55	17,681,694,883.66	10,483,400.45	(426,450,453.66)	(792,207,807.21)	16,473,520,023.24	(3,854,793,814.31)
- Qinglian Expressway (a)	9,232,184,683.22	8,391,605,362.66	3,185,474.00	(120,553,498.54)	-	8,274,237,338.12	(957,947,345.10)
- Nanguang Expressway	2,797,628,600.42	2,565,060,437.92	6,647,219.07	(37,816,572.96)	-	2,533,891,084.03	(263,737,516.39)
- Shenzhen Airport-Heao Expressway (Eastern Section)	3,092,170,511.84	2,371,220,199.33	-	(111,348,031.05)	-	2,259,872,168.28	(832,298,343.56)
- Yanba Expressway	1,255,337,192.11	1,048,922,353.42	-	(22,607,597.40)	-	1,026,314,756.02	(229,022,436.09)
- Wuhuang Expressway	1,523,192,561.64	856,890,951.32	-	(43,530,899.62)	-	813,360,051.70	(709,832,509.94)
- Meiguan Expressway	614,047,345.55	1,265,674,228.50	-	(41,552,660.76)	(792,127,653.53)	431,993,914.21	(182,053,431.34)
- Yanpai Expressway (a)	910,532,308.18	655,883,549.54	-	(23,838,703.74)	-	632,044,845.80	(278,487,462.38)
- Shenzhen Airport-Heao Expressway (Western Section)	843,517,682.25	467,385,556.01	-	(25,202,489.59)	(80,153.68)	442,102,912.74	(401,414,769.51)
- Outer Ring Expressway	59,702,952.34	59,052,244.96	650,707.38	-	-	59,702,952.34	-
Software	12,912,331.26	4,430,602.65	7,588,515.26	(474,653.70)	(410,565.34)	11,133,898.87	(1,778,432.39)
Billboard land use rights	150,188,348.20	70,137,742.82	-	(14,369,655.34)	(135,082.53)	55,633,004.95	(94,555,343.25)
Total	20,491,414,517.01	17,756,263,229.13	18,071,915.71	(441,294,762.70)	(792,753,455.08)	16,540,286,927.06	(3,951,127,589.95)

(a) The pledge information relating to the concession intangible assets of Yanpai Expressway and Qinglian Expressway is set out in Note 5(24)(a).

(b) For the six months ended 30 June 2014, the amortisation of intangible assets which also recorded in consolidated income statement was RMB441,294,762.70 (the same period in 2013: RMB404,303,781.80).

Notes to financial statements

For the six months ended 30 June 2014
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Deferred tax assets and deferred tax liabilities

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

	30 June 2014		31 December 2013	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Provisions for maintenance and resurfacing of the toll roads (i)	59,278,573.99	237,114,295.96	75,320,779.21	301,283,116.84
Compensation provided by concession grantors (ii)	21,814,948.78	87,259,795.12	22,290,979.89	89,163,919.56
Deductible tax losses (iii)	147,882,990.79	591,531,963.16	152,765,946.57	611,063,786.27
Payroll accrued but not paid	2,388,220.50	9,552,882.00	2,321,339.25	9,285,357.00
Accrued operating costs for Toll Free Section of Meiguan Expressway before transferred (iv)	5,561,152.01	22,244,608.04	–	–
The difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (iv)	7,047,365.22	28,189,460.88	–	–
Others	1,425,280.43	5,701,121.72	1,511,912.78	6,047,651.12
	245,398,531.72	981,594,126.88	254,210,957.70	1,016,843,830.79

- (i) A deferred tax asset was recognised based on the temporary difference generated between the tax base and accounting base of provisions for maintenance/resurfacing obligations of toll roads.
- (ii) A deferred tax asset was recognised based on the temporary difference generated between the tax base and book value of compensation provided by concession grantors in prior years.
- (iii) The Group estimated that Qinglian Company could generate profit against which the deductible tax losses incurred in current period and prior years can be utilised in the future. Accordingly, a deferred tax asset on deductible tax losses was recognised.
- (iv) The Group recognised estimated operating costs undertaken by the Company for Toll Free Section of Meiguan Expressway before transferred and the difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation according to the Adjustment Agreement (Note 5(7)(a)), deferred tax assets were recognised on temporary differences between the tax bases and book values.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Deferred tax assets and deferred tax liabilities (continued)

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

	30 June 2014		31 December 2013	
	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences
The amortisation of concession intangible assets (i)	47,162,145.96	188,648,583.84	54,299,215.86	217,196,863.44
Business combinations involving enterprises not under common control (ii)				
– Qinglian Company	335,745,728.76	1,342,982,915.03	340,687,509.92	1,375,969,267.29
– Airport-Heao Eastern Company	395,503,873.13	1,582,015,492.51	414,975,100.92	1,659,900,403.72
– JEL Company	152,722,762.87	610,891,051.50	160,538,931.28	642,644,315.52
– Meiguan Company	6,105,084.21	32,501,699.59	29,798,738.02	119,194,952.08
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway (iii)	8,039,736.35	32,158,945.42	–	–
	945,279,331.28	3,789,198,687.89	1,000,299,496.00	4,014,905,802.05

- (i) 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.
- (ii) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, JEL Company and Meiguan Company, deferred tax liabilities were recognised on temporary differences between the fair values and book values of respective identifiable assets and liabilities acquired.
- (iii) As stated in Note 5(7)(a), 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.

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

	30 June 2014	31 December 2013
Deductible tax losses	185,913,412.69	183,574,616.04

(d) Deductible tax losses that are not recognised as deferred tax assets will be due in the following years:

	30 June 2014	31 December 2013
Year 2015	126,651,015.07	126,651,015.07
Year 2016	15,668,426.07	15,668,426.07
Year 2017	19,663,795.75	19,663,795.75
Year 2018	21,591,379.15	21,591,379.15
Year 2019	2,338,796.65	–
	185,913,412.69	183,574,616.04

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(13) Deferred tax assets and deferred tax liabilities (continued)

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

	30 June 2014	31 December 2013
Deferred tax assets	(192,895,633.08)	(186,361,990.64)
Deferred tax liabilities	192,895,633.08	186,361,990.64

The net values of deferred assets and liabilities taking into consideration the offsetting of balances are set out as follows:

	30 June 2014		31 December 2013	
	Net values of deferred tax assets/liabilities	Temporary differences after offsetting	Net values of deferred tax assets/liabilities	Temporary differences after offsetting
Deferred tax assets	52,502,898.64	210,011,594.56	67,848,967.06	271,395,868.24
Deferred tax liabilities	752,383,698.20	3,017,616,155.55	813,937,505.37	3,269,457,839.55

(14) Short-term borrowings

	30 June 2014	31 December 2013
Pledged borrowings (a)	55,566,000.00	–
Unsecured borrowings	400,000.00	450,400,000.00
	55,966,000.00	450,400,000.00

- (a) As at 30 June 2014, the pledged borrowings represented short-term pledged borrowings granted to Mei Wah Company by Industrial and Commercial Bank of China (Asia) Corporation amounting to HKD70,000,000.00 (equivalent to RMB55,566,000.00) which was pledged by 55% equity interest of JEL Company held by Mei Wah Company (31 December 2013: nil).
- (b) As at 30 June 2014, there were no short-term borrowings past due but have not been repaid (31 December 2013: nil).
- (c) As at 30 June 2014, the weighted average interest rate of short-term borrowings was 5.26% per annum (31 December 2013: 5.82%).
- (d) Short-term borrowings due to related parties are analysed as follows:

	30 June 2014	31 December 2013
Qinglong company	400,000.00	400,000.00

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(15) Accounts payable**

	30 June 2014	31 December 2013
Payables for construction projects and quality deposits	219,362,663.35	375,719,993.22

- (a) Accounts payable to shareholders holding more than 5% (including 5%) of the voting rights of the company are analysed as follows:

	30 June 2014	31 December 2013
Xin Tong Chan Company	1,500.00	–

- (b) Accounts payable to related parties are analysed as follows:

	30 June 2014	31 December 2013
Consulting Company	1,058,149.10	6,738,801.10
Huayu Company	42,000.00	–
Longda Company	25,000.00	–
Shenzhen International South-China Logistics Co., Ltd. (‘SC Logistics Company’)	8,000.00	–
	1,133,149.10	6,738,801.10

- (c) The ageing of accounts payable based on their recording dates is analysed as follows:

	30 June 2014	31 December 2013
Within 1 year (including 1 year)	91,473,559.53	207,358,628.60
Over 1 year	127,889,103.82	168,361,364.62
	219,362,663.35	375,719,993.22

As at 30 June 2014, accounts payable with aging over 1 year mainly represent payables in relation to construction projects, quality deposits and purchasing of materials. The payables have not been settled since the final audits of projects are not completed. As at the date on which the financial statements are authorised for issue, none of the aforesaid accounts payable has been repaid.

As at 30 June 2014 and 31 December 2013, all accounts payable were denominated in RMB.

(16) Advances from customers

	30 June 2014	31 December 2013
Advances from advertising customers	15,330,949.55	17,305,717.29
Others	11,092,767.29	1,583,333.03
	26,423,716.84	18,889,050.32

As at 30 June 2014 and 31 December 2013, the aging of advances from customers was within one year.

As at 30 June 2014 and 31 December 2013, there were neither advances from shareholders holding more than 5% (including 5%) of the voting rights of the Company nor advances from related parties.

As at 30 June 2014 and 31 December 2013, all advances from customers were denominated in RMB.

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(17) Employee benefits payable

	31 December 2013	Current period additions	Current period reductions	30 June 2014
Wages and salaries, bonuses, allowances and subsidies	98,650,314.07	100,996,829.96	(137,930,050.77)	61,717,093.26
Staff welfare	–	12,416,346.65	(12,416,346.65)	–
Social security contributions	136,561.25	13,882,599.97	(13,932,852.05)	86,309.17
Including: Medical insurance	34,786.75	6,280,015.09	(6,275,758.51)	39,043.33
Basic pensions	83,038.33	5,048,216.59	(5,099,869.78)	31,385.14
Unemployment insurance	9,737.61	1,412,503.78	(1,413,459.74)	8,781.65
Work injury insurance	4,486.36	672,561.45	(672,866.45)	4,181.36
Maternity insurance	4,512.20	469,303.06	(470,897.57)	2,917.69
Housing funds	–	5,409,108.10	(5,409,108.10)	–
Labor union funds and employee education funds	4,110,066.10	2,115,842.19	(2,850,255.15)	3,375,653.14
Enterprise annuities	642,415.85	3,460,271.43	(4,022,371.66)	80,315.62
Others	821,145.26	–	(65,064.80)	756,080.46
	104,360,502.53	138,280,998.30	(176,626,049.18)	66,015,451.65

As at 30 June 2014, there were no overdue employee benefits payable. About 85.78% of the total balance is estimated to be paid off or utilised within one year, while the rest 14.21% of the balance is expected to be paid when related conditions are met.

(18) Taxes payable

	30 June 2014	31 December 2013
Corporate income tax payable	491,306,946.38	60,444,435.82
Business tax payable	23,288,361.99	9,455,666.63
City maintenance and construction tax payable	1,554,873.60	694,340.17
Educational surcharge payable	742,932.85	351,812.08
VAT payable	199,786.95	478,877.93
Others	2,668,444.32	2,485,543.36
	519,761,346.09	73,910,675.99

(19) Interest payable

	30 June 2014	31 December 2013
Interest of corporate bonds	124,292,241.11	57,292,239.11
Interest of private placement notes	25,739,950.10	1,338,770.06
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	11,062,533.39	10,510,889.91
Interest of medium-term notes	8,151,780.82	–
Interest of short-term borrowings	37,308.41	916,388.12
	169,283,813.83	70,058,287.20

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(20) Dividends payable**

	30 June 2014	31 December 2013
Dividends payable to H share holders	107,640,000.08	–

(21) Other payables

	30 June 2014	31 December 2013
Project funds payables to the contractors of Longli BT Project	175,326,906.10	61,289,758.87
Payable related to costs of construction management services	174,165,141.33	46,724,431.93
Payable related to maintenance for roads	87,057,277.62	91,321,952.90
Advance from associates	76,348,147.14	70,636,595.28
Project funds retained for construction management contracts (a)	65,042,323.39	1,371,284.40
Guaranteed deposits for construction projects contracts or pitches (b)	61,875,481.41	68,968,758.66
Payable related to land expropriation of Longli joint land development	42,361,217.11	55,683,914.00
Payable related to the maintenance of Airport-Heao Expressway	42,143,332.00	41,671,815.42
Mechanical and electrical costs payable	41,324,482.76	36,253,586.05
Others	46,196,273.28	44,877,808.94
	811,840,582.14	518,799,906.45

- (a) The Company was entrusted by Highway Bureau of Shenzhen Longgang District for the management of the construction of Hengping Project and was entrusted by Municipal Bureau for Urban Administration of Baoan District for the management of the construction of Shelter-screen Project of Airport-Heao Expressway (Dalang Section) and the Intersection of Dezheng Road in Shenzhen Longhua New Area with Shenzhen Longda Expressway and the construction project of the extension of the eastern section of Dezheng Road ('Dezheng Road Project'). The projects are funded by Shenzhen Government. The related project payments are made by the Company through special deposit accounts opened for the project in accordance with relevant provision in the construction management contracts.

As at 30 June 2014, project funds retained in the special deposit accounts amounting to RMB65,042,323.39 (31 December 2013: RMB1,371,284.40) are classified as restricted bank balance in cash flow statements.

- (b) Guaranteed deposits for construction projects and pitches are deposits received from the contractors as guarantees for pitches and performance commitment relating to construction projects of Qinglian Expressway, Nanguang Expressway, the Reconstruction and Expansion of Meiguan Expressway Project and Nanping (Phase II) Project.

Notes to financial statements

For the six months ended 30 June 2014
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(21) Other payables (continued)

(c) As at 30 June 2014, other payables aged over 1 year are analysed as follows:

	30 June 2014	31 December 2013	Reason for unsettlement	Paid as at the reporting date
Advance from associates	56,026,376.43	56,026,376.43	Distribution in advance	–
Guaranteed deposits for construction projects or pitches	49,582,251.08	44,271,933.08	Completion audit not completed	2,200,000.00
Payable for maintenance of roads	2,424,777.18	4,260,352.60	Completion audit not completed	284,865.42
Others	14,430,369.13	43,000,693.15	Completion audit not completed	–
	122,463,773.82	147,559,355.26		2,484,865.42

(d) Other payables to shareholders holding more than 5% (including 5%) of the voting rights of the Company:

	30 June 2014	31 December 2013
Shenzhen International	5,000.00	5,000.00

(e) Other payables to related parties:

	30 June 2014	31 December 2013
Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
GZ W2 Company	30,000,000.00	30,000,000.00
Consulting Company	12,729,930.71	7,110,218.85
United Electronic Company	4,003,729.81	1,477,986.12
Qinglong Company	91,840.00	–
	80,351,876.95	72,114,581.40

(f) As at 30 June 2014 and 31 December 2013, all other payables were denominated in RMB.

(22) Provisions

	31 December 2013	Current period movement	30 June 2014
Provisions for maintenance/ resurfacing obligations	301,283,116.66	(64,168,820.91)	237,114,295.75
Less: current portion	(94,303,901.05)	31,362,946.13	(62,940,954.92)
	206,979,215.61	(32,805,874.78)	174,173,340.83

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(23) Current portion of non-current liabilities

	30 June 2014	31 December 2013
Current portion of long-term borrowings		
Including: Unsecured (a)	355,966,800.00	322,163,200.00
Pledged (Note 5(24)(a))	256,805,000.00	151,353,640.00
Guaranteed	–	27,830,000.00
	612,771,800.00	501,346,840.00
Current portion of provisions (Note 5(22))	62,940,954.92	94,303,901.05
Current portion of derivative financial liabilities (b)	21,906,697.07	24,676,144.27
	697,619,451.99	620,326,885.32

(a) Details of current portion of long-term unsecured borrowings are set out as follows:

	Beginning date	Termination date	Interest rate	Currency	30 June 2014	
					Amount in foreign currencies	Amount in RMB
Shenzhen Branch of China Construction Bank Corporation	2009.9.17	2014.9.17	HIBOR+150BPS	HKD	336,000,000.00	266,716,800.00
Borrowings from Qinglong Company	2013.7.1	2014.12.31	6.00%	RMB		58,000,000.00
The Export-Import Bank of China Shenzhen Branch	2013.9.10	2014.9.9	5.76%	RMB		31,250,000.00
						355,966,800.00

(b) The Group uses a CNY/HKD cross currency interest rate swap contract to hedge its interest rate risk and exchange rate risk of one variable-rate foreign currency loan with a notional principal amount of HKD420,000,000 (31 December 2013: HKD420,000,000). The payment term of this loan is: HKD21,000,000 is repayable each year in September from 2010 to 2013, HKD336,000,000 is repayable in September 2014. The outstanding notional principal amount of the CNY/HKD cross currency interest rate swap contract as at 30 June 2014 was HKD336,000,000 (31 December 2013: HKD336,000,000). Through this arrangement, the Group is able to pay an fixed interest at 1.8% per annum and to repay the principal at a fixed HKD/RMB exchange rate agreed in the contract while the original floating interest (3-month HIBOR+150BPS) and principal payments (at HKD/RMB exchange spot rate) attached to the loan is offset by the CNY/HKD cross currency interest rate swap. This swap is settled on a quarterly basis from June 2010 to September 2014.

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(24) Long-term borrowings

	30 June 2014	31 December 2013
Pledged (a)	4,740,569,000.00	4,923,524,000.00
Unsecured (b)	218,750,000.00	250,000,000.00
Guaranteed	–	83,490,000.00
	4,959,319,000.00	5,257,014,000.00

(a) As at 30 June 2014, details of long-term pledged borrowings are set out as follows:

	Interest rate	Currency	30 June 2014		Pledge details
			Amount in foreign currencies	Amount in RMB	
Syndicated borrowings	5.895%~6.55%	RMB		4,188,624,000.00	Operating rights of Qinglian Expressway
Industrial and Commercial Bank of China	5.508%	RMB		565,000,000.00	40% equity interest of Qinglong Company held by the Company
Industrial and Commercial Bank of China	5.535%	RMB		234,000,000.00	Operating rights of Yanpai Expressway owned by the company
Industrial and Commercial Bank of China	5.76%	RMB		9,750,000.00	Operating rights of Yanpai Expressway owned by the company
				4,997,374,000.00	
Including: Current portion of syndicated borrowings				(178,680,000.00)	
Current portion pledged borrowing from Industrial and Commercial Bank of China				(78,125,000.00)	
				4,740,569,000.00	

(b) The unsecured long-term borrowings amounts to RMB 218,750,000.00 (31 December 2013: RMB250,000,000.00). The interest rate of the unsecured long-term borrowings for the six months ended 30 June 2014 was 3.99% per annum (31 December 2013: 1.88%).

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**(24) Long-term borrowings (continued)**

(c) The five largest long-term borrowings:

	Starting date	Ending date	Currency	Interest rate	30 June 2014		31 December 2013	
					Amount in foreign currency	Amount in RMB	Amount in foreign currency	Amount in RMB
Syndicated borrowings (part A)	2006.9.30	2024.6.20	RMB	5.895%		1,941,200,000.00		2,003,300,000.00
Syndicated borrowings (part B)	2006.9.30	2024.6.20	RMB	5.895%		1,497,420,000.00		1,534,000,000.00
Syndicated borrowings (part C)	2011.1.6	2027.1.6	RMB	6.55%/5.895%		571,324,000.00		583,724,000.00
Industrial and Commercial Bank of China Corporation	2006.3.15	2021.3.12	RMB	5.508%		502,500,000.00		565,000,000.00
The Export-Import Bank of China	2013.9.10	2018.9.9	RMB	5.76%		218,750,000.00		250,000,000.00
						4,731,194,000.00		4,936,024,000.00

(d) As at 30 June 2014, the weighted average interest rate of long-term borrowings was 5.67% per annum (31 December 2013: 5.64%).

(25) Bonds payable

	31 December 2013	Current period issued	Current period issuance cost	Current period amortisation	30 June 2014
Corporate bonds	2,290,537,514.39	–	–	3,529,076.82	2,294,066,591.21
Private placement notes	798,264,466.01	–	–	33,294.12	798,297,760.13
Medium-term notes	–	1,000,000,000.00	(5,750,000.00)	301,837.56	994,551,837.56
	3,088,801,980.40	1,000,000,000.00	(5,750,000.00)	3,864,208.50	4,086,916,188.90

Related information is as follows:

	Currency	Par value	Date of issuance	Maturity	Issued amount	Coupon rate
Corporate bonds (a)	RMB	800,000,000.00	31 July 2007	15 years	800,000,000.00	5.5%
Corporate bonds (a)	RMB	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	6.0%
Private placement notes (b)	RMB	800,000,000.00	20 December 2012	3 years	800,000,000.00	5.9%
Medium-term notes (c)	RMB	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	5.5%

The interests accrued in the balance are analysed as follows:

	31 December 2013	Current period accrued	Current period paid	30 June 2014
Corporate bonds	57,292,239.11	67,000,002.00	–	124,292,241.11
Private placement notes	1,338,770.06	24,401,180.04	–	25,739,950.10
Medium-term notes	–	8,151,780.82	–	8,151,780.82
	58,631,009.17	99,552,962.86	–	158,183,972.03

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(25) Bonds payable (continued)

(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 the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company. As at 30 June 2014, the fair value of corporate bonds approximated RMB782,587,215.38 which was calculated using cash flows discounted method based on market interest rate of comparable corporate bonds at 5.75% per annum.

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. As at 30 June 2014, the fair value of the bonds approximated to RMB1,471,791,094.00 which was calculated using discounted cash flow method and market interest rate of comparable corporate bonds at 6.51% per annum.

(b) Private placement notes

On 18 December 2012, the Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of private placement notes amounting to RMB1,500,000,000.00. The registered quota is valid within two years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the private placement notes in tranches during the validity period. On 20 December 2012, the Company issued the initial tranche of private placement notes amounting to RMB800,000,000.00, which bear a term of 3 years and interest rate of 5.90% per annum with interest repayable annually and the principal repayable in full upon maturity on 20 December 2015. The fair values of private placement notes approximate to their carrying amounts as the comparable market rate is close to the coupon rate and the effect of discounting is not significant.

(c) 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 the principal repayable in full upon maturity on 8 May 2017. As at 30 June 2014, the fair value of the medium term notes approximated to RMB935,248,563.16 which was calculated using discounted cash flow method and market interest rate of comparable medium term notes at 6.15% per annum.

(26) Other non-current liabilities

	30 June 2014	31 December 2013
Compensations to the future operating costs of gateway toll stations to be built after the toll adjustment of Meiguan Expressway	162,850,000.00	–
Compensations to the tax and surcharges from the toll adjustment of Meiguan Expressway	104,887,334.49	–
	267,737,334.49	–

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(27) Share capital

	31 December 2013	Current period additions	Current period reductions	30 June 2014
Par value RMB1 per share				
Shares not subject to trading restrictions –				
RMB ordinary shares	1,433,270,326.00	–	–	1,433,270,326.00
Oversea listed foreign shares	747,500,000.00	–	–	747,500,000.00
Total share capital	2,180,770,326.00	–	–	2,180,770,326.00

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Par value RMB1 per share				
Shares not subject to trading restrictions –				
RMB ordinary shares	1,433,270,326.00	–	–	1,433,270,326.00
Oversea listed foreign shares	747,500,000.00	–	–	747,500,000.00
Total share capital	2,180,770,326.00	–	–	2,180,770,326.00

(28) Capital surplus

	31 December 2013	Current period additions	Current period reductions	30 June 2014
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Other capital surplus –				
Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
Cash flow hedges-after tax	14,798,681.06	2,769,447.20	(2,552,380.29)	15,015,747.97
Equity investment reserve	406,180.00	–	–	406,180.00
Others	65,760.27	–	–	65,760.27
	3,182,754,363.49	2,769,447.20	(2,552,380.29)	3,182,971,430.40

	31 December 2012	Current year additions	Current year reductions	31 December 2013
Share premium	2,274,351,523.42	–	–	2,274,351,523.42
Other capital surplus–				
Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
Cash flow hedges-after tax	13,055,818.95	(8,605,251.85)	10,348,113.96	14,798,681.06
Equity investment reserve	406,180.00	–	–	406,180.00
Others	65,760.27	–	–	65,760.27
	3,181,011,501.38	(8,605,251.85)	10,348,113.96	3,182,754,363.49

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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(29) Surplus reserve

	31 December 2013	Current period additions	30 June 2014
Statutory surplus reserve	1,228,032,145.48	–	1,228,032,145.48
Discretionary surplus reserve	453,391,330.06	–	453,391,330.06
	1,681,423,475.54	–	1,681,423,475.54

	31 December 2012	Current year additions	31 December 2013
Statutory surplus reserve	1,150,873,685.81	77,158,459.67	1,228,032,145.48
Discretionary surplus reserve	453,391,330.06	–	453,391,330.06
	1,604,265,015.87	77,158,459.67	1,681,423,475.54

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 2014 (the same period in 2013: nil).

(30) Undistributed profits

	30 June 2014	31 December 2013
Undistributed profits at the beginning of the period/year	2,929,472,264.02	2,570,439,249.07
Add: Net profit attributable to equity holders of the Company in current period/year	1,697,330,182.85	719,691,617.00
Less: Appropriation for statutory surplus reserve	–	(77,158,459.67)
Dividends	(348,923,252.16)	(283,500,142.38)
Undistributed profits at the end of the period/year	4,277,879,194.71	2,929,472,264.02

As at 30 June 2014, included in the undistributed profits, RMB365,486,530.30 represents subsidiaries' surplus reserves attributable to the Company (31 December 2013: RMB365,486,530.30).

In accordance with the resolution passed in the Annual General meeting on 13 May 2014, the Company proposed a cash dividend to all shareholders amounting to RMB348,923,252.16, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.16 per share. The cash dividend represents 48.48% of the net profit for the year ended 31 December 2013. As at 30 June 2014, cash dividend amounting to RMB107,640,000.08 has not been paid.

The Board of Directors did not recommend any payment of interim dividend for the six months ended 30 June 2014 (the same period in 2013: nil), nor did it recommend any conversion of capital reserve into share capital.

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Revenue and cost of services

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Revenue from main business (a)	1,465,823,081.06	1,362,140,855.03
Revenue from other businesses (b)	462,223,174.47	126,904,083.77
	1,928,046,255.53	1,489,044,938.80
Cost from main business (a)	738,826,100.64	663,600,506.86
Cost from other businesses (b)	177,404,468.32	29,447,515.14
	916,230,568.96	693,048,022.00

(a) Revenue and cost of services from main business

	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Revenue of main business	Cost of main business	Revenue of main business	Cost of main business
Revenue from toll road	1,465,823,081.06	738,826,100.64	1,362,140,855.03	663,600,506.86

The Group's revenue from toll road is generated from Guangdong Province and Hubei Province.

(b) Revenue and cost of services from other businesses

	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Revenue from other businesses	Cost of other businesses	Revenue from other businesses	Cost of other businesses
Management services revenue (i)	410,995,386.88	148,625,446.23	76,410,753.20	112,679.54
Advertising services revenue	48,024,282.73	28,141,823.42	46,242,906.19	28,693,816.16
Other revenue	3,203,504.86	637,198.67	4,250,424.38	641,019.44
	462,223,174.47	177,404,468.32	126,904,083.77	29,447,515.14

(i) Management services revenue

In current period, the Company was mainly engaged to manage the construction of toll road construction projects namely the Nanping (Phase II) Project, Longda Municipal Section, the Coastal Project Phase I, Dezheng Road Project, Longli BT Project and Longli Resettlement (Phase I) Project. Returns from these projects were recognised as management services income. The management services income is determined based on the cost savings achieved in managing these construction management projects according to the provisions of the relevant contracts. For Nanping (Phase II) Project and Longda Municipal Section, the Company is solely granted all the cost savings in construction in case the savings does not exceed by 2.5% of the total budgeted contract costs; while the Company would share 20% of any savings exceeding 2.5% of the total budgeted contract costs. For Coastal Project Phase I, the management service revenue is 1.5% of the construction budget while the Company would share 20% of any savings of the total budgeted contract costs. For Longli BT Project, the Company would benefit from both of the return on capital costs and return on investments. Return on capital costs is calculated by 8% of construction funds advanced to the project by the Company while return on investments is calculated by 5% of construction funds advanced to the project plus return on capital costs. For Longli Resettlement (Phase I) Project and Dezheng Road Project, the Company is solely granted all the cost savings in construction.

Notes to financial statements

For the six months ended 30 June 2014
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5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(31) Revenue and cost of services (continued)

(b) Revenue and cost of services from other businesses (continued)

(i) Management services revenue (continued)

According to the related management services contracts, the Company undertakes to bear cost overruns incurred in the above projects. For Longda Municipal Section, Nanping (Phase II) Project, Dezheng Road Project, Longli BT Project and Longli Resettlement (Phase I) Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget. For Coastal Project Phase I, the Company is obliged to bear 20% of the cost overruns incurred in construction as compared to the original budget. Nevertheless, the outflow of resources arising from expected cost overruns of these projects is considered to be remote by the directors of the Company, after taking into account the actual progress and the status of these projects.

In current period, the Company recognised construction management service revenue of Coastal Project Phase I at RMB226,187,490.83 (the same period in 2013: RMB21,356,155.27) in accordance with the latest total investment top limit and the estimation of project savings; the Company recognised construction management service revenue of Nanping (Phase II) Project, Longli BT Project and Longli Resettlement (Phase I) Project at RMB3,941,015.53, RMB155,108,737.15 and RMB14,192,922.95 respectively according to the percentage of completion of the projects (the same period in 2013: RMB40,367,772.99, RMB4,636,978.49 and RMB260,459.3 respectively); for Longda Municipal Section and Dezheng Road Project, as the outcome of the construction management services could not be reliably estimated though the costs incurred were expected to be fully recovered, the Group recognised construction management services income based on actual project management expenses and taxes incurred amounting to RMB656,029.69 and RMB639,060.28 respectively (the same period in 2013: RMB789,387.44 and nil respectively).

On 27 December 2013, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage the 89.93% equity interests held in Longda Company. However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. In return for the services rendered, the Company is entitled to an annual management entrustment fee of RMB18,000,000.00. The management entrustment fee for current period amounted to RMB9,000,000.00 (the same period in 2013: RMB9,000,000.00).

(c) Revenue from the five largest customers of the Group

Except for revenue from toll road, revenue from the five largest customers of the Group amounted to RMB411,188,029.62 (the same period in 2013: RMB77,868,919.02) which accounted for 21.33% (the same period in 2013: 5.23%) of the total revenue of the Group. The detail is analysed below:

	Revenue	% of total revenue
Coastal Company	226,187,490.83	11.73%
Guizhou Longli County Government	169,301,660.00	8.78%
Baotong Company	9,000,000.00	0.47%
Shenzhen Transportation Bureau	3,941,015.53	0.21%
Shenzhen Wei Tai Advertising Co. Ltd.	2,757,863.26	0.14%
	411,188,029.62	21.33%

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(32) Business tax and surcharges

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Business tax	62,486,796.79	45,663,900.38
City maintenance and construction tax	4,437,957.03	3,344,071.31
Educational surcharge	3,244,089.46	2,193,144.85
Construction fee for culture undertakings	1,321,196.07	1,419,646.38
Others	659,016.88	676,398.46
	72,149,056.23	53,297,161.38

(33) General and administrative expenses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Salary and wages	17,603,259.64	13,736,333.99
Depreciation	3,533,961.79	2,921,210.06
Expenses paid to stock exchange	968,763.73	1,050,521.96
Audit fees	215,000.00	215,000.00
Office management expenses	876,921.94	1,033,597.61
Others	6,241,194.75	6,455,778.29
	29,439,101.85	25,412,441.91

(34) Financial expenses – net

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Interest expenses	272,608,904.76	297,659,286.19
Including: Interest expenses from borrowings	169,191,733.40	161,650,528.34
Interest expenses from bonds payable	103,417,171.36	144,605,927.08
Interest capitalised	–	(8,597,169.23)
Time value of provision for maintenance/resurfacing obligations	4,664,125.22	13,171,457.27
Less: interest income	(39,071,189.58)	(15,173,299.33)
Including: Interest income from bank deposits	(6,912,244.16)	(15,173,299.33)
Interest income from long-term receivables	(32,158,945.42)	–
Exchange losses/(gains)	1,293,057.14	(2,496,395.54)
Others	404,639.45	511,321.99
	239,899,536.99	293,672,370.58

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(35) Investment income

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Income from long-term equity investments in a joint venture under equity method	4,461,306.64	3,265,864.13
Income from long-term equity investments in associates under equity method	103,839,219.11	86,052,198.89
	108,300,525.75	89,318,063.02

There is no significant restriction on the remittance of investment income.

Investees that contributed investment income for more than 5% of the Group's total profit, or the top five investees that contributed most investment income to the Group's total profit are set out as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Reason for current period fluctuation
Yangmao Company	32,960,705.46	31,041,719.39	Toll road revenue increased and financial expenses decreased
Qinglong Company	31,278,950.85	29,523,002.64	Toll road revenue increased
Guangyun Company	16,721,394.48	11,319,120.55	Toll road revenue increased
Nanjing Third Bridge Company	13,825,463.65	7,817,717.83	Change in unit usage of intangible assets and financial expenses decreased
GZ W2 Company	6,064,839.89	3,727,601.04	Toll road revenue increased and financial expenses decreased
	100,851,354.33	83,429,161.45	

(36) Non-operating income and non-operating expenses

(a) Non-operating income

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2014
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway (Note 7 (a))	1,499,322,223.93	–	1,499,322,223.93
Gain on disposal of other intangible assets	1,419,846.32	–	1,419,846.32
Gain on disposal of other fixed assets	1,200.00	373,156.13	1,200.00
Bonus	150,080.25	400,000.00	150,080.25
Gain on liquidation of claim	5,894,338.00	–	5,894,338.00
Others	457,305.10	2,686.35	457,305.10
	1,507,244,993.60	775,842.48	1,507,244,993.60

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(36) Non-operating income and non-operating expenses (continued)

(b) Non-operating expenses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Amount recorded as non-recurring profit or loss for the six months ended 30 June 2014
Loss on disposal of fixed assets	71,358.29	218,102.43	71,358.29
Donation	500,000.00	30,000.00	500,000.00
Others	1,106,219.52	667,358.12	1,106,219.52
	1,677,577.81	915,460.55	1,677,577.81

(37) Income tax expenses

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Current income tax calculated according to tax law and related regulations	569,514,662.52	135,667,296.01
Deferred income tax	(46,207,738.75)	(28,784,856.79)
	523,306,923.77	106,882,439.22

The reconciliation from income tax calculated based on the applicable tax rates and profit before tax presented in the consolidated financial statements to the income tax expense is listed below:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Profit before tax	2,282,105,838.03	512,793,387.88
Income tax expenses calculated at applicable tax rate of 25% (the same period in 2013: 25%)	570,526,459.51	128,198,346.97
Effect of different tax rate applied for deferred tax calculation	7,163,026.05	-
Income not subject to tax	(29,289,211.26)	(24,300,006.88)
Difference from the CIT verification collection method of Guishen Company	(30,382,348.72)	-
Unrecognised tax losses	584,699.16	2,024,705.02
Others	4,704,299.03	959,394.11
Income tax expenses	523,306,923.77	106,882,439.22

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(38) 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:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Consolidated net profit attributable to ordinary shareholders of the Company	1,697,330,182.85	385,542,987.48
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.778	0.177
Including: Basic earnings per share from continuing operations	0.778	0.177

(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 2014, diluted earnings per share were equal to basic earnings per share.

(39) Other comprehensive income after tax

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Gain from cash flow hedges	217,066.91	2,191,738.55
Tax effect	–	–
Gain from cash flow hedges – after tax	217,066.91	2,191,738.55

(40) Notes to consolidated cash flow statement

(a) Cash received relating to other operating activities

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Cash received relating to fund Longli BT Project	176,242,019.22	–
Cash received relating to fund Coastal Project Phase I	5,531,169.56	–
Cash received from Shenzhen Press Group Subway Advertisement Company	–	27,839,268.00
Cash received from Longli Country Government in relation to Longli Resettlement (Phase I) Project	–	9,739,540.64
Cash received from other operating activities	2,558,945.17	2,333,406.96
	184,332,133.95	39,912,215.60

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(40) Notes to consolidated cash flow statement (continued)

(b) Cash paid relating to other operating activities

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Payment for acquisition of land use right	209,250,767.55	–
Cash advanced to Longli BT Project	93,850,059.03	81,446,150.00
Cash advance to Longli Resettlement(Phase I) Project	31,522,758.90	8,790,000.00
Management expenses paid for Coastal Project Phase I	3,914,531.02	2,315,866.23
Audit, valuation, lawyers and advisory fees paid	4,013,352.89	1,739,956.76
Expenses paid to stock exchange	1,247,106.65	1,372,532.44
Other operating expenses paid	15,827,218.35	20,432,140.65
	359,625,794.39	116,096,646.08

(c) Cash paid relating to other financing activities

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Deposits paid in relation to bonds sold-back	300,000,000.00	–
Others	1,214,032.71	548,344.67
	301,214,032.71	548,344.67

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

5 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

(41) Supplementary information to consolidated cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Net profit	1,758,798,914.26	405,910,948.66
Add: Amortisation of investment properties	287,850.00	287,850.00
Depreciation of fixed assets	63,245,098.72	61,556,465.53
Amortisation of intangible assets	441,294,762.70	404,303,781.80
Amortisation of long-term prepaid expenses	1,534,580.99	1,044,738.18
Gain on disposal of non-current assets	(1,500,671,911.96)	(155,053.70)
Financial expenses	239,899,536.99	293,672,370.58
Investment income	(108,300,525.75)	(89,318,063.02)
Net decrease in deferred tax assets and liabilities	(46,207,738.75)	(28,784,856.79)
Increase in inventories	(10,036,194.18)	(320,137,354.82)
(Increase)/decrease in operating receivables	(570,012,413.81)	258,937,433.20
Increase/(decrease) in operating payables	514,661,909.26	(177,772,104.31)
Net cash flows from operating activities	784,493,868.47	809,546,155.31

(b) Net change in cash

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Cash at the end of the period	2,204,642,716.76	1,401,878,705.46
Less: cash at the beginning of the period	(1,089,636,663.10)	(1,954,204,126.56)
Net increase/(decrease) in cash	1,115,006,053.66	(552,325,421.10)

(c) Cash and cash equivalents

	30 June 2014	30 June 2013
Cash at bank and on hand (Note 5(1))	2,269,685,040.15	1,403,734,038.29
Less: Restricted bank balances (Note 5(1))	(65,042,323.39)	(1,855,332.83)
Cash at the end of the period/year	2,204,642,716.76	1,401,878,705.46

6 SEGMENT INFORMATION

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

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

Other businesses principally comprise provision of advertising services, construction management services and other services. The Group has no inter-segment transfers. These businesses do not compose separate reportable segments.

- (1) Segment information as at and for the six months ended 30 June 2014 is as follows:

Segment	Toll road	Other	Unallocated	Total
Revenue from external customers	1,465,823,081.06	462,223,174.47	–	1,928,046,255.53
Interest income	33,709,042.57	665,991.20	4,696,155.81	39,071,189.58
Interest expenses	268,209,052.52	4,399,852.24	–	272,608,904.76
Share of profit of associates and a joint venture	106,753,484.06	1,547,041.69	–	108,300,525.75
Depreciation and amortisation	502,828,330.62	578,165.77	2,955,796.02	506,362,292.41
Total profit	2,176,671,886.64	120,748,244.95	(15,314,293.56)	2,282,105,838.03
Income tax expense	493,405,687.81	29,901,235.96	–	523,306,923.77
Net profit	1,683,266,198.83	90,847,008.99	(15,314,293.56)	1,758,798,914.26
Total assets	23,581,650,691.22	1,852,193,808.27	159,401,947.81	25,593,246,447.30
Total liabilities	11,899,649,954.78	879,040,094.13	138,547,025.73	12,917,237,074.61
Long-term equity investments in associates and a joint venture	1,627,662,482.34	19,936,338.04	–	1,647,598,820.38
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	54,624,232.26	804,530.76	1,161,479.48	56,590,242.50

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

6 SEGMENT INFORMATION (CONTINUED)

(2) Segment information as at and for the six months ended 30 June 2013 is as follows:

Segment	Toll road	Other	Unallocated	Total
Revenue from external customers	1,362,140,855.03	126,904,083.77	–	1,489,044,938.80
Interest income	1,757,700.65	1,668,143.27	11,747,455.41	15,173,299.33
Interest expenses	296,827,237.64	832,048.55	–	297,659,286.19
Share of profit of associates and a joint venture	87,779,830.24	1,538,232.78	–	89,318,063.02
Depreciation and amortisation	463,185,703.45	601,620.70	3,405,511.36	467,192,835.51
Total profit	444,715,266.88	89,424,399.35	(21,346,278.35)	512,793,387.88
Income tax expense	84,780,570.29	22,101,868.93	–	106,882,439.22
Net profit	359,934,696.59	67,322,530.42	(21,346,278.35)	405,910,948.66
Total assets	22,189,453,325.93	1,062,695,580.87	164,581,814.67	23,416,730,721.47
Total liabilities	12,100,040,801.50	145,143,945.16	257,311,862.67	12,502,496,609.33
Long-term equity investments in associates and a joint venture	1,578,325,950.08	17,083,661.54	–	1,595,409,611.62
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	133,732,108.65	49,666,038.08	124,190.00	183,522,336.73

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

The Group revenue generated from one customer attributable to 'Other' segment amounted to RMB226,187,490.83, which took up 11.73% of the total revenue of the Group.

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(1) Information of the parent of the Company:

(a) General information of the parent company:

	Type	Place of registration	Legal representative	Code of organisation	Nature of business
Shenzhen International	Foreign enterprise	Bermuda	Not applicable	Not applicable	Investment holding

(b) Registered capital and changes in registered capital of the parent company:

	31 December 2013	Current period additions	Current period reductions	30 June 2014
Shenzhen International	HKD2,000,000,000.00	–	–	HKD2,000,000,000.00

(c) The proportions of equity interests and voting rights in the Company held by the parent company:

	30 June 2014		31 December 2013	
	% interest held	% voting rights	% interest held	% voting rights
Shenzhen International	50.89%	50.89%	50.89%	50.89%

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)**(2) Information of subsidiaries**

The information for the subsidiaries is set out in Note 4(1).

(3) Information of a joint venture and associates

	Type	Place of registration	Legal representative	Nature of business	Registered capital (RMB)	% equity interest	% voting right	Code of organisation
A joint ventures-								
Shenchang Company	Limited liability company	Changsha City, Hunan Province	Deng Li Min	(i)	200,000,000	51%	51%	71216935-7
Associates-								
Qinglong Company	Limited liability company	Shenzhen City, Guangdong Province	Fu Jie Pin	(i)	324,000,000	40%	40%	19230570-5
Consulting Company	Limited liability company	Shenzhen City, Guangdong Province	Cai Cheng Guo	(ii)	18,750,000	24%	24%	74124302-6
Huayu Company	Limited liability company	Shenzhen City, Guangdong Province	Fu Jie Pin	(i)	150,000,000	40%	40%	73417205-5
Jiangzhong Company	Limited liability company	Guangzhou City, Guangdong Province	Wang Kang Chen	(i)	1,110,000,000	25%	25%	74296235-6
Nanjing Third Bridge Company	Limited liability company	Nanjing City, Jiangsu Province	Zhang Yingfang	(i)	1,080,000,000	25%	25%	74537269-3
Yangmao Company	Limited liability company	Guangzhou City, Guangdong Province	Li Kewen	(i)	200,000,000	25%	25%	74170833-x
GZ W2 Company	Limited liability company	Guangzhou City, Guangdong Province	Zhong Ming	(i)	1,000,000,000	25%	25%	76400825-6
Guangyun Company	Limited liability company	Yunfu City, Guangdong Province	Gu Shui Ling	(i)	10,000,000	30%	30%	74448922-4

(i) Expressway construction and operation.

(ii) Construction advisory and consultancy.

(4) Information of other related parties

	Relationship with the Group	Code of organisation
Xin Tong Chan Company	Shareholder of the Company	19224376-X
Bao Tong Company	Under same control of Shenzhen International	72618130-6
Longda Company	Under same control of Shenzhen International	77715423-6
Coastal Company	Ultimately controlled by SIHCL, together with the Company	68201030-1
SC Logistics Company	Under same control of Shenzhen International	72615808-5
Shenzhen International Huatongyuan Logistics Co., Ltd. ('Huatongyuan Company')	Under same control of Shenzhen International	78924196-X
United Electronic Company	One of its directors is the Company's key management personnel	74084676-5

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions

(a) Rendering or receiving of services

(i) Receiving of services

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
			Amount	% in the total amount of similar transactions	Amount	% in the total amount of similar transactions
Consulting Company	Receiving project management services	Negotiated price	8,643,154.36	38.16%	14,777,581.30	33.98%
United Electronic Company	Receiving integrated toll system settlement services	Determined by price bureau	8,394,809.49	100.00%	7,925,653.91	100.00%
Others	Receiving power supply services for advertising boards	Negotiated price	312,874.33	8.60%	225,326.76	7.29%

Consulting Company signed management services contracts with the Group, mainly providing project management services to Qinglian Company, Airport-Heao Eastern Company and Expressway Investment Company.

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

Advertising Company, Airport-Heao Eastern Company and Meiguan Company received water and electricity supply services from SC Logistics Company, Xin Tong Chan Company and Huayu Company as well as power supply services to advertising boards from Longda Company provided to its advertising boards. The respective transaction amounts were not disclosed as they are not material.

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)**(5) Related party transactions (continued)****(a) Rendering or receiving of services (continued)***(ii) Rendering of services*

Name of related party	Nature of transaction	Pricing policies and procedures for decision-making	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
			Amount	% in the total amount of similar transactions	Amount	% in the total amount of similar transactions
Coastal Company	Entrusted construction management services	Negotiated price	226,187,490.83	51.97%	21,356,155.27	31.68%
Qinglong Company	Provide integrated toll services	Negotiated price	10,887.05	100.00%	-	-
Others	Supply of water and electricity for offices	Negotiated price	478,422.00	30.43%	429,034.00	31.54%

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 (Note 5(31)(b)), 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 Company recognised construction management services fee amounting to RMB226,187,490.83 in accordance with the latest total investment top limit and the estimation of project savings (the same period in 2013: RMB21,356,155.27).

In accordance with the contract signed between the Company and Qinglong Company, which agreed to settle the receivable and payable of toll on a net basis and pay a service fee to the party which has a net receivable balance, the Company recognised service income amounting to RMB10,887.05 according to the net amount settled with Qinglong Company in current period (the same period in 2013: nil).

The Company supplied water and electricity to Shenzhen International, Consulting Company and United Electronic Company with prices that are determined based on those charged by water and electricity supply companies. The individual transaction amounts were not disclosed as they are not material.

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7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

(5) Related party transactions (continued)

(b) Leases

(i) As a lessor

The Group leased office to United Electronic Company and Consulting Company in accordance with the rental contracts signed. The Group recognised rental income amounting to RMB121,942.00 during the period in 2014 (the same period in 2013: RMB100,998.00). The individual transaction amounts were not disclosed as they are not material.

(ii) As a lessee

Advertising Company, a subsidiary of the Company, rented billboard land use rights from Longda Company, Huayu Company, Qinglong Company, SC Logistics Company and Huatongyuan Company in accordance with rental contracts signed. Total rental expenses in this period of 2014 amounted to RMB1,105,000.00 (the same period in 2013: RMB1,875,000.00). The individual transaction amounts were not disclosed as they are not material.

(c) Related party trusteeship

Entrusting party	Type of entrustment	Entrusted party	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised for the six months ended 30 June 2014	Entrusted revenue recognised for the six months ended 30 June 2013
Baotong Company	Equity trusteeship	the Company	2014.01.01	2015.12.31	Negotiated price	9,000,000.00	9,000,000.00

(d) Financing

	Amount	Interest	Starting date	Ending date
Advances from –				
Qinglong Company	32,000,000.00	965,333.33	9 July 2013	31 August 2014
Qinglong Company	26,000,000.00	784,333.33	9 July 2013	31 December 2014
Qinglong Company	400,000.00	12,066.67	9 July 2013	31 August 2014
	58,400,000.00	1,761,733.33		

(e) Advance on behalf of related companies

During current period, according to the framework agreements signed with SIHCL on 6 November 2009 in relation to the entrustment of operation and management on Coastal Company, the Group paid upfront operating costs amounting to RMB24,605,172.91 on behalf of Coastal Company (the same period in 2013: nil).

(f) Remuneration of key management personnel

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Remuneration of key management personnel	4,034,500.00	3,942,736.70

7 RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)**(6) Receivables from and payables to related parties**

		30 June 2014	31 December 2013
Accounts receivable	Coastal Company	331,750,352.01	105,562,861.17
	Baotong Company	2,295,854.23	2,295,854.23
		334,046,206.24	107,858,715.40
Advances to suppliers	Consulting Company	3,102,560.00	3,035,060.00
Other receivables	Coastal Company	2,854,161.60	8,385,331.16
	Consulting Company	46,247.00	8,472.00
	Huayu Company	20,000.00	20,000.00
	Longda Company	10,000.00	10,000.00
	United Electronic Company	6,780.00	6,620.00
		2,937,188.60	8,430,423.16
Interest payable	Qinglong Company	1,761,733.33	-
Accounts payable	Consulting Company	1,058,149.10	6,738,801.10
	Huayu Company	42,000.00	-
	Longda Company	25,000.00	-
	SC Logistics Company	8,000.00	-
	Xin Tong Chan Company	1,500.00	-
		1,134,649.10	6,738,801.10
Other payable	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
	GZ W2 Company	30,000,000.00	30,000,000.00
	Consulting Company	12,729,930.71	7,110,218.85
	United Electronic Company	4,003,729.81	1,477,986.12
	Qinglong Company	91,840.00	-
	Shenzhen International	5,000.00	5,000.00
		80,356,876.95	72,119,581.40
Short-term borrowings	Qinglong Company	400,000.00	400,000.00
Current portion of non-current liabilities	Qinglong Company	58,000,000.00	58,000,000.00

(7) Commitments in relation to related parties

Commitments in relation to related parties contracted for but not yet recognised on the balance sheet by the Group as at the balance sheet date are as follows:

(a) Receiving of services

	30 June 2014	31 December 2013
Consulting Company	35,193,307.39	36,483,921.26

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8 CONTINGENCIES

- (1) 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.
- (2) 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.
- (3) 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.

(4) 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. 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.

9 COMMITMENTS

(1) Capital commitments

Capital expenditures contracted for but not yet recognised on the balance sheet are as follows:

	30 June 2014	31 December 2013
Expressway construction projects	344,591,757.66	499,204,893.31

It mainly represents capital commitments to Outer Ring Expressway.

As at 30 June 2014 and 31 December 2013, the joint venture had no capital commitments.

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

	30 June 2014	31 December 2013
Contracted for but not yet recognised on the balance sheet	23,458,656.72	18,740,504.00

9 COMMITMENTS (CONTINUED)

(3) Performance status of commitments for the previous period

The Group had fully executed capital commitments outstanding as at 30 June 2014.

10 EVENTS AFTER THE BALANCE SHEET DATE

- (1) On 17 July 2014, the Company repaid pledged borrowings amounting to RMB565,000,000.00 to Industrial and Commercial Bank of China Corporation (Note 5 (24)(a)) ahead of schedule, which led to a decrease in both of the Company's assets and liabilities of RMB565,000,000.00. The pledge to these borrowings by 40% equity interests of Qinglong Company held by the Company was consequently released on 29 July 2014.
- (2) Pursuant to a minutes approved by the Board of Directors of the Company on 4 July 2014, the Company set up Shenzhen Expressway Luyun Project Construction Management Company Limited ('Luyun Company') on 15 August 2014, a wholly owned subsidiary. The nature of business of Luyun Company is project consultancy, project design, project construction management as well as construction and operating management of public service facilities. According to the articles of incorporation of Luyun Company, the registered capital is RMB100,000,000.00 and shall be fully paid up by the Company by 31 December 2014. Up to the date of the approval of these interim financial statements, the Company has not commenced the capital injection to Luyun Company.
- (3) On 4 July 2014, the Board of Directors of the Company approved the Group to transfer the 100% equity interests in Yuelong Company indirectly held by the Company. Yuelong Company is currently engaged in holding land use right with approximately 296 mu located in Guizhou Longli County. Up to the date of the approval of these interim financial statements, the filing and approval procedures in relation to the management of state-owned assets for the relevant audit and assessment of the transfer are still undergoing.
- (4) The Shenzhen government intended to carry out an urban renewal work to adjust the land use of a totaling approximately 131,000 square meters around the Meilin Toll Station of Meiguan Expressway, and of which approximately 96,000 square meters will be changed to land for development and construction in accordance with urban renewal policy for comprehensive development ('Meilin Checkpoint Urban Renewal Project'). Pursuant to a minutes approved by the Board of Directors of the Company on 7 August 2014, the Company and Shenzhen International, the holding company, entered into a framework agreement on joint venture in establishment of the Shenzhen Meilin Checkpoint Urban Renewal Project Company (tentative name, hereinafter referred 'Project Company') in relation to the Meilin Checkpoint Urban Renewal Project ('Framework Agreement') pursuant to which, the Company and Xin Tong Chan Company, a wholly-owned subsidiary of Shenzhen International, will make capital contributions to establish the Project Company together and hold equity proportion of 49% and 51% of the Project Company respectively. The parties shall make capital contributions in cash and in proportion to their respective equity interests in the Project Company. The initial registered capital of the Project Company shall be RMB200 million, in which the Company shall make capital contribution of RMB98 million. The Project Company would act as the declarer and legal entity to Meilin Checkpoint Urban Renewal Project and take the responsibility of obtaining and requisition of the land. After the Company's subsequent capital injection to the Project Company is approved by the independent shareholders of the Company, both shareholders of the Project Company will make further capital contributions to the Project Company in cash and in proportion to their respective equity interests 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 billion, in which the Company's aggregate capital contributions shall not exceed RMB2.45 billion. If the Company could not obtain its independent shareholders' approval for the subsequent capital injection after the establishment of the Project Company, Xin Tong Chan Company shall acquire all the equity interests in the Project Company held by the Company at the amount of capital already contributed by the Company to the Project Company together with an interest thereon at the prevailing bank lending rate. The above Framework Agreement is yet to be approved by the independent shareholders in Shareholders' Meeting.

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11 FINANCIAL INSTRUMENTS AND RISK

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

(1) Market risk

(a) 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 the amount of assets and liabilities, and transactions denominated in foreign currencies to mitigate the foreign exchange risk. The Group has entered into forward exchange contract and CNY/HKD cross currency interest rate swap contract to minimize foreign exchange risk.

As at 30 June 2014 and 31 December 2013, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	30 June 2014		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	2,190,619.45	96,313.33	2,286,932.78
Financial liabilities denominated in foreign currency –			
Short-term borrowing	55,566,000.00	–	55,566,000.00
Current portion of non-current liabilities	266,716,800.00	–	266,716,800.00
	322,282,800.00	–	322,282,800.00
	31 December 2013		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	1,201,692.44	95,453.12	1,297,145.56
Financial liabilities denominated in foreign currency –			
Current portion of non-current liabilities	281,616,840.00	–	281,616,840.00

Regardless of the borrowing amounting to HKD336 million of which the foreign exchange risks have been hedged by the cross currency interest rate swap (Note 5(23)(b)), as at 30 June 2014, if the currency had strengthened/weakened by 10% against the HKD while all other variables had been held constant, the Group's net profit for the period would have been approximately RMB225,762.33 (31 December 2013: RMB1,625,408.11) higher/lower for various financial assets and liabilities denominated in HKD.

11 FINANCIAL INSTRUMENTS AND RISK (CONTINUED)**(1) Market risk (continued)****(b) Interest rate risk**

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 30 June 2014, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB5,070,399,000.00 (31 December 2013: RMB4,692,014,000.00).

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. The Group has entered into a CNY/HKD cross currency interest rate swap contract to minimize interest rate risk.

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 RMB557,845.03 (for the same period in 2013: approximately RMB515,648.26).

(c) 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:

	30 June 2014	31 December 2013
State-owned banks	1,014,012,618.42	826,419,772.59
Other banks	1,243,229,140.83	255,042,327.18
	2,257,241,759.25	1,081,462,099.77

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and others are the listed banks or commercial banks at medium/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 2014, 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 I) Project were approximately RMB2.47 billion (31 December 2013: RMB562 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.

11 FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

(2) Capital management

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

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

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as total borrowings (including 'short-term borrowings, current portion of long-term borrowings and bonds payable, long-term borrowings and bonds payable') less cash balance disclosed in the consolidated cash flow statement. Total capital is calculated as 'owners' equity' as shown in the consolidated balance sheet plus net debt.

The Group manages capital status by periodic inspection to the gearing ratio. The gearing ratios at 30 June 2014 and 31 December 2013 were as follows:

	30 June 2014	31 December 2013
Total borrowings		
Short-term borrowings	55,966,000.00	450,400,000.00
Current portion of long-term borrowings	612,771,800.00	501,346,840.00
Long-term borrowings	4,959,319,000.00	5,257,014,000.00
Bonds payable	4,086,916,188.90	3,088,801,980.40
	9,714,972,988.90	9,297,562,820.40
Less: cash balance disclosed in the consolidated cash flow statement	(2,204,642,716.76)	(1,089,636,663.10)
Net debt	7,510,330,272.14	8,207,926,157.30
Owners' equity	12,676,009,372.66	11,238,985,660.20
Total capital	20,186,339,644.80	19,446,911,817.50
Gearing ratio	37.21%	42.21%

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12 FAIR VALUE ESTIMATION

Financial instruments measured at fair value

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs observable directly or indirectly for identical assets or liabilities other than inputs included within level 1;

Level 3: Inputs for the asset or liability that are not based on observable market data.

(1) Financial instruments measured at fair value

As at 30 June 2014, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets	–	–	–	–
Financial liabilities – Current portion of derivative financial liabilities	–	21,906,697.07	–	21,906,697.07

As at 31 December 2013, the financial assets measured at fair value by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets	–	–	–	–
Financial liabilities – Current portion of derivative financial liabilities	–	24,676,144.27	–	24,676,144.27

The Group defines the date of a trigger event that leads to a transfer in levels as the level transferring date. There were no transfers between levels 1 and 2 during the period.

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. Inputs mainly contain risk-free interest rate of interest, benchmark interest rate, exchange rate, credit spreads, liquidity premium, EBITDA multiplier and illiquid discount and etc..

The financial department of the Group is responsible for the valuation of the financial assets and liabilities. Independent valuers are appointed to evaluate the fair value of the Group's derivative financial liabilities. The financial department of the Group independently validates the evaluation result, recording related accounting treatment and preparing disclosures in related to the fair value information basing on the validated valuation result.

12 FAIR VALUE ESTIMATION (CONTINUED)**(2) Assets and liabilities with fair value disclosure but not measured at fair value**

Financial assets and liabilities measured at amortisation cost mainly represent receivables, short-term borrowings, payables, long-term borrowings and bonds payable.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	30 June 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities –				
Long-term borrowings	–	–	565,000,000.00	553,704,494.72
Bonds payable	4,086,916,188.90	4,001,861,123.14	3,088,801,980.40	2,985,348,814.86
	4,086,916,188.90	4,001,861,123.14	3,653,801,980.40	3,539,053,309.58

The fair value of long-term borrowings with fixed interest rates and bonds payable with fixed interest rates not quoted in an active market is the present value of the contractual future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms, which belong to level 2.

13 NET CURRENT ASSETS

	Group	
	30 June 2014	31 December 2013
Current assets	4,292,630,064.37	2,237,727,753.83
Less: Current liabilities	(2,676,707,512.22)	(2,234,389,118.33)
Net current assets	1,615,922,552.15	3,338,635.50

	Company	
	30 June 2014	31 December 2013
Current assets	3,274,563,989.15	1,421,950,956.80
Less: Current liabilities	(1,505,963,618.05)	(1,254,865,262.77)
Net current assets	1,768,600,371.10	167,085,694.03

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14 TOTAL ASSETS LESS CURRENT LIABILITIES

	Group	
	30 June 2014	31 December 2013
Total assets	25,593,246,447.30	22,840,107,479.91
Less: current liabilities	(2,676,707,512.22)	(2,234,389,118.33)
Total assets less current liabilities	22,916,538,935.08	20,605,718,361.58

	Company	
	30 June 2014	31 December 2013
Total assets	16,261,259,214.05	14,524,393,916.72
Less: current liabilities	(1,505,963,618.05)	(1,254,865,262.77)
Total assets less current liabilities	14,755,295,596.00	13,269,528,653.95

15 ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

	31 December 2013	Gains or losses arising from changes in fair value in current period	Cumulative amount of changes in fair value recognised directly in equity	Impairment loss in current period	30 June 2014
Derivative financial liabilities	24,676,144.27	–	2,769,447.20	–	21,906,697.07

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

(1) Accounts receivable

	30 June 2014	31 December 2013
Accounts receivable	540,799,468.81	338,977,218.48
Less: provision for bad debts	-	-
	540,799,468.81	338,977,218.48

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

	30 June 2014	31 December 2013
Within 1 year	333,375,658.04	136,582,499.51
1 to 2 years	135,205,464.49	181,978,297.62
2 to 3 years	71,373,246.28	14,250.00
Over 3 years	845,100.00	20,402,171.35
	540,799,468.81	338,977,218.48

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

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
- Group 1	478,042,792.68	88.40%	-	-	300,275,148.32	88.58%	-	-
- Group 2	62,756,676.13	11.60%	-	-	38,702,070.16	11.42%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	540,799,468.81	100.00%	-	-	338,977,218.48	100.00%	-	-

(c) As at 30 June 2014 and 31 December 2013, the aging of accounts receivable in Group of which provision was made collectively using ageing analysis method is within 1 year.

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

	Relationship with the Company	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Coastal Company	Controlled by the ultimate holding company, together with the Company	331,750,352.01	61.34%	-	105,562,861.17	31.14%	-
Baotong Company	Controlled by the parent company, together with the Company	2,295,854.23	0.42%	-	2,295,854.23	0.68%	-
		334,046,206.24	61.76%	-	107,858,715.40	31.82%	-

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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(1) Accounts receivable (continued)

- (e) As at 30 June 2014 and 31 December 2013, there was no accounts receivable from shareholders holding more than 5% (including 5%) of the voting rights of the Company.
- (f) As at 30 June 2014, the five largest accounts receivable are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Due from Coastal Company in relation to the project management services provided to Coastal Project Phase I	Controlled by the ultimate holding company, together with the Company	331,750,352.01	1 to 3 years	61.34%
Due from Shenzhen Transportation Bureau in relation to the project management services provided to Nanping (Phase II) Project	Independent third party	139,088,969.15	1 to 3 years	25.72%
Revenue from revenues through unitoll cards	Independent third party	27,383,520.00	Within 1 year	5.06%
Due from Shenzhen Traffic Public Facilities Construction Center in relation to the project management services provided to Longda Municipal Section	Independent third party	4,268,557.01	1 to 2 years	0.79%
Due from Baotong Company in relation to the project management services provided to the Longhua expanding section of Longda Expressway	Controlled by the ultimate holding company, together with the Company	2,295,854.23	1 to 3 years	0.43%
		504,787,252.40		93.34%

- (g) As at 30 June 2014 and 31 December 2013, all accounts receivable were denominated in RMB (31 December 2013: the same).

(2) Other receivables

	30 June 2014	31 December 2013
Advances	459,397,067.97	499,226,246.52
Loans to Guishen Company	305,000,000.00	135,128,054.79
Deposits in relation to bonds sold-back	300,000,000.00	–
Loans to Qinglian Company	41,512,333.32	19,093,239.13
Others	1,711,069.72	1,800,483.55
	1,107,620,471.01	655,248,023.99
Less: provision for bad debts	–	–
	1,107,620,471.01	655,248,023.99

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**(2) Other receivables (continued)**

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

	30 June 2014	31 December 2013
Within 1 year	1,106,331,225.69	653,987,596.52
1 to 2 years	687,067.47	580,494.90
2 to 3 years	602,177.85	679,932.57
	1,107,620,471.01	655,248,023.99

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

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Individually significant and provision separately made	-	-	-	-	-	-	-	-
Provision made collectively								
– Group 1	804,250,099.76	72.61%	-	-	652,571,769.66	99.59%	-	-
– Group 2	303,370,371.25	27.39%	-	-	2,676,254.33	0.41%	-	-
Not individually significant but provision separately made	-	-	-	-	-	-	-	-
	1,107,620,471.01	100%	-	-	655,248,023.99	100.00%	-	-

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

	30 June 2014				31 December 2013			
	Ending balance		Provision for bad debts		Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	Ratio	Amount	% of total balance	Amount	Ratio
Within 1 year	302,111,126.53	99.58%	-	-	1,415,826.86	52.90%	-	-
1 to 2 years	657,066.87	0.22%	-	-	580,494.90	21.69%	-	-
2 to 3 years	602,177.85	0.20%	-	-	679,932.57	25.41%	-	-
	303,370,371.25	100.00%	-	-	2,676,254.33	100.00%	-	-

(d) As at 30 June 2014 and 31 December 2013, there were no other receivables from shareholders holding more than 5% (including 5%) of the voting rights of the Company.

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16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(2) Other receivables (continued)

(e) Other receivables from related parties were analysed as follows:

	Relationship with the Company	30 June 2014			31 December 2013		
		Amount	% of total balance	Provision for bad debts	Amount	% of total balance	Provision for bad debts
Meiguan Company	A subsidiary of the Company	331,187,868.28	29.90%	-	383,784,086.37	58.57%	-
Guishen Company	A subsidiary of the Company	305,000,000.00	27.54%	-	135,128,054.79	20.62%	-
Airport-Heao Eastern Company	A subsidiary of the Company	115,417,788.52	10.42%	-	97,286,222.51	14.85%	-
Qinglian Company	A subsidiary of the Company	41,512,333.32	3.75%	-	19,093,239.13	2.91%	-
Outer Ring Company	A subsidiary of the Company	6,540,650.07	0.59%	-	5,852,562.93	0.89%	-
Coastal Company	Controlled by the ultimate holding company, together with the Company	2,854,161.60	0.26%	-	8,385,331.16	1.28%	-
Consulting company	An associate of the Company	9,930.00	0.00%	-	8,472.00	0.00%	-
United Electronic Company	One of its directors is the Company's key management personnel	912.00	0.00%	-	845.00	0.00%	-
		802,523,643.79	72.46%	-	649,538,813.89	99.12%	-

(f) As at 30 June 2014, the five largest other receivables are analysed as follows:

	Relationship with the Company	Amount	Ageing	% of total balance
Advances to Meiguan Company	A subsidiary of the Company	331,187,868.28	Within 1 year	29.90%
Loans to Guishen Company	A subsidiary of the Company	305,000,000.00	Within 1 year	27.54%
Deposits receivable from China Securities Depository and Clearing Corporation Limited Shanghai Branch in relation to bonds sold-back	Independent third party	300,000,000.00	Within 1 year	27.09%
Advances to Airport-Heao Eastern Company	A subsidiary of the Company	115,417,788.52	Within 1 year	10.42%
Loans to Qinglian Company	A subsidiary of the Company	41,512,333.32	Within 1 year	3.74%
		1,093,117,990.12		98.69%

(g) As at 30 June 2014, all other receivables were denominated in RMB (31 December 2013: the same).

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**(3) Long-term receivables**

	30 June 2014	31 December 2013
Loans to Qinglian Company	1,070,000,000.00	1,210,000,000.00

(4) Long-term equity investments

	30 June 2014	31 December 2013
Subsidiaries – Unlisted (a)	4,955,117,911.99	4,882,517,546.15
A joint venture – Unlisted (b)	188,457,556.76	183,996,250.12
Associates – Unlisted (b)	1,459,141,263.62	1,390,218,121.10
	6,602,716,732.37	6,456,731,917.37
Less: Provision for impairment of long-term equity investments	–	–
	6,602,716,732.37	6,456,731,917.37

As at 30 June 2014, no provision for impairment of long-term equity investments was required (31 December 2013: nil).

(a) Subsidiaries

	Ending balance of investment costs	31 December 2013	Current period additions	Investment cost recovered	30 June 2014	Cash dividend declared	Equity interest held	Voting rights held	Impairment
Airport-Heao Eastern Company	945,218,834.12	1,003,632,517.49	–	(58,413,683.37)	945,218,834.12	79,557,056.25	100%	100%	–
Meiguan Company	630,590,725.39	630,590,725.39	–	–	630,590,725.39	563,000,000.00	100%	100%	–
Advertising Company	3,325,000.01	3,325,000.01	–	–	3,325,000.01	11,517,997.64	95%	95%	–
Mei Wah Company	831,769,303.26	831,769,303.26	–	–	831,769,303.26	–	100%	100%	–
Qinglian Company	2,064,214,049.21	1,933,200,000.00	131,014,049.21	–	2,064,214,049.21	–	51.37%	51.37%	–
Outer Ring Company	100,000,000.00	100,000,000.00	–	–	100,000,000.00	–	100%	100%	–
Expressway Investment Company	380,000,000.00	380,000,000.00	–	–	380,000,000.00	–	95%	95%	–
	4,955,117,911.99	4,882,517,546.15	131,014,049.21	(58,413,683.37)	4,955,117,911.99	654,075,053.89			–

The Company uses cost method to account for investments in the above subsidiaries.

As stated in Note 5(25)(a), the full amount of principal and interest of the Company's corporate bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company.

- (b)** The detailed information of associates is set out in Note 5(8)(a) and Note 5(8)(b). The directors of the Company considered that the Company has no material joint venture or associate for current period as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Company.

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(5) Revenue and cost of services

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Revenue from main business (a)	527,651,785.63	468,155,560.54
Revenue from other business (b)	245,374,157.32	75,277,473.94
	773,025,942.95	543,433,034.48
Cost from main business (a)	210,079,538.69	183,299,611.59
Cost from other business (b)	127,841,613.92	(3,778,054.60)
	337,921,152.61	179,521,556.99

(a) Revenue and cost of services from main operation

	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Revenue from main business	Cost from main business	Revenue from main business	Cost from main business
Revenue from toll road	527,651,785.63	210,079,538.69	468,155,560.54	183,299,611.59

The Company's revenue from toll road is all generated from Shenzhen region.

(b) Revenue and cost of services from other businesses

	For the six months ended 30 June 2014		For the six months ended 30 June 2013	
	Revenue from other businesses	Cost from other businesses	Revenue from other businesses	Cost from other businesses
Management services revenue	241,693,726.77	127,127,380.88	71,513,315.35	(4,618,472.89)
Other revenue	3,680,430.55	714,233.04	3,764,158.59	840,418.29
	245,374,157.32	127,841,613.92	75,277,473.94	(3,778,054.60)

(c) Revenue from the five largest customers of the Company

Except for revenue from toll road, revenue from the five largest customers of the Company amounted to RMB241,617,071.79 (the same period in 2013: RMB72,923,028.91) which accounted for 31.25% (the same period in 2013: 13.42%) of the total revenue of the Company. The detail is analysed below:

	Revenue	% of total revenue
Coastal Company	226,187,490.83	29.26%
Baotong Company	9,000,000.00	1.16%
Shenzhen Transportation Bureau	3,941,015.53	0.51%
Highway Bureau of Shenzhen Longgang District	1,270,130.43	0.16%
China Mobile Limited Guangdong Shenzhen Branch	1,218,435.00	0.16%
	241,617,071.79	31.25%

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(6) Investment income

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Income from long-term equity investments under cost method	654,075,053.89	143,909,479.29
Income from long-term equity investments under equity method	108,300,525.75	89,318,063.02
	762,375,579.64	233,227,542.31

(a) Investment income from long-term equity investments under cost method

Investees that contributed investment income for more than 5% of the Company's total profit, or the top five investees that contributed most investment income to the Company's total profit are set out as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Reason for current period fluctuation
Meiguan Company	563,000,000.00	64,871,475.92	Meiguan Company recognised gain on disposal of assets in relation to Toll Free Section of Meiguan Expressway and made distribution according to its cash flow position.
Airport-Heao Eastern Company	79,557,056.25	67,271,965.72	Toll road revenue increased and made distribution according to its cash flow position.
	642,557,056.25	132,143,441.64	

(b) Investment income from long-term equity investments under equity method

Investees that contributed investment income for more than 5% of the Company's total profit, or the top five investees that contributed most investment income to the Company's total profit are set out as follows:

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Reason for current period fluctuation
Yangmao Company	32,960,705.46	31,041,719.39	Toll road revenue increased and financial expenses decreased
Qinglong Company	31,278,950.85	29,523,002.64	Toll road revenue increased
Guangyun Company	16,721,394.48	11,319,120.55	Toll road revenue increased
Nanjing Third Bridge Company	13,825,463.65	7,817,717.83	Change in unit usage of intangible assets and financial expenses decreased
GZ W2 Company	6,064,839.89	3,727,601.04	Toll road revenue increased and financial expenses decreased
	100,851,354.33	83,429,161.45	

Notes to financial statements

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

16 NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

(7) Supplementary information to cash flow statements

(a) Reconciliation from net profit to cash flows from operating activities

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Net profit	972,840,937.31	387,064,403.85
Add: Amortisation of investment properties	287,850.00	287,850.00
Depreciation of fixed assets	31,898,675.56	31,666,355.68
Amortisation of intangible assets	109,671,354.88	91,176,533.91
Amortisation of long-term prepaid expenses	457,389.06	457,389.06
(Gains)/losses on disposal of non-current assets	(1,404,235.97)	4,838.10
Financial expenses	112,459,834.17	119,066,412.38
Investment income	(762,375,579.64)	(233,227,542.31)
Decrease/(increase) in deferred tax assets	15,259,436.07	(366,803.94)
Increase/(decrease) in inventories	(985,676.78)	234,025.15
Increase in operating receivables	(161,425,522.73)	(96,156,155.63)
Increase/in operating payables	102,801,832.37	2,471,923.33
Net cash flows from operating activities	419,486,294.30	302,679,229.58

(b) Net change in cash

	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Cash at the end of the period	1,554,364,606.30	823,777,434.67
Less: cash at the beginning of the period	(415,547,266.82)	1,166,746,594.52
Net increase/(decrease) in cash	1,138,817,339.48	(342,969,159.85)

(c) Cash and cash equivalents

	30 June 2014	31 December 2013
Cash at bank and on hand	1,619,406,929.69	420,707,294.65
Less: Restricted bank balances (Note 5(1))	(65,042,323.39)	(1,371,284.40)
Bank balances frozen (Note 5(1))	–	(3,788,743.43)
Cash at the end of the period/year	1,554,364,606.30	415,547,266.82

Supplementary Information

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

1 DETAILED LIST OF NON-RECURRING PROFIT OR LOSS ITEMS

	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Note
Profits from entrusted management services	8,495,100.00	8,495,100.00	Profits from entrusted management services provided to Longda Company in current period.
The amortisation of compensation provided by concession grantor	9,602,501.85	7,353,576.16	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.
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	1,499,322,223.93	-	
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway	32,158,945.42	-	
Other profit or loss items that meet the definition of non-recurring profit or loss	6,245,191.86	(139,618.07)	
	1,555,823,963.06	15,709,058.09	
Impact of income tax	(394,647,647.93)	(2,814,790.30)	Tax impact of the non-recurring profit and loss.
Impact of minority interests (after tax)	29,174.45	12,557.62	
	1,161,205,489.58	12,906,825.41	

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

	Weighted average return on net assets (%)		Earnings per share			
	For the six months ended 30 June 2014	For the six months ended 30 June 2013	Basic earnings per share		Diluted earnings per share	
			For the six months ended 30 June 2014	For the six months ended 30 June 2013	For the six months ended 30 June 2014	For the six months ended 30 June 2013
Net profit attributable to ordinary owners of the Company	15.77%	3.98%	0.778	0.177	0.778	0.177
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	4.98%	3.85%	0.246	0.171	0.246	0.171

Supplementary Information

For the six months ended 30 June 2014
(All amounts in RMB unless otherwise stated)

3 EXPLANATIONS OF SIGNIFICANT FLUCTUATIONS AND RELATED REASONS ON MAJOR ITEMS OF THE FINANCIAL STATEMENTS

Items with irregular amount and items with irregular fluctuations are analysed as below:

		30 June 2014	31 December 2013	Increase/ (decrease)(%)
Cash at bank and on hand	1	2,269,685,040.15	1,094,796,690.93	107.32
Accounts receivable	2	843,270,802.78	495,330,807.64	70.24
Advances to suppliers	3	343,866,217.51	134,809,901.75	155.07
Other receivable	4	480,753,691.03	165,948,978.57	189.70
Other current assets	5	–	1,755,109.55	(100.00)
Long-term receivable	6	1,922,805,334.25	–	Not applicable
Construction in progress	7	8,865,003.54	36,340,507.58	(75.61)
Short-term borrowings	8	55,966,000.00	450,400,000.00	(87.57)
Accounts payable	9	219,362,663.35	375,719,993.22	(41.62)
Advances from customers	10	26,423,716.84	18,889,050.32	39.89
Employee benefits payable	11	66,015,451.65	104,360,502.53	(36.74)
Tax payable	12	519,761,346.09	73,910,675.99	603.23
Interest payable	13	169,283,813.83	70,058,287.20	141.63
Dividend payable	14	107,640,000.08	–	Not applicable
Other payable	15	811,840,582.14	518,799,906.45	56.48
Other current liabilities	16	2,794,486.25	1,923,817.30	45.26
Bonds payable	17	4,086,916,188.90	3,088,801,980.40	32.31
Other non-current liabilities	18	267,737,334.49	–	Not applicable
Undistributed profits	19	4,277,879,194.71	2,929,472,264.02	46.03

		For the six months ended 30 June 2014	For the six months ended 30 June 2013	Increase/ (decrease)(%)
Revenue	20	1,928,046,255.53	1,489,044,938.80	29.48
Cost of services	21	916,230,568.96	693,048,022.00	32.20
Business tax and surcharges	22	72,149,056.23	53,297,161.38	35.37
Non-operating income	23	1,507,244,993.60	775,842.48	194,172.04
Income tax expense	24	523,306,923.77	106,882,439.22	389.61
Net profit attributable to minority interests	25	61,468,731.41	20,367,961.18	201.79
Net cash flows from investing activities	26	605,181,176.20	(352,875,838.09)	Not applicable
Net cash flows from financing activities	27	(274,679,769.56)	(1,009,606,144.85)	(72.79)

- In current period, the Group issued medium term notes with par value of RMB1 billion and received the first payment of the Compensation resulted from the toll adjustment of Meiguan Expressway amounting to RMB800 million from the Shenzhen Government.
- Construction management services income from Coastal Project Phase I, Longli BT Project and Longli Resettlement (Phase I) Project were recognised in current period.
- In current period, Guishen Company's subsidiaries prepaid land-transferring fund and related deed taxes as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 580 mu.
- The advances to Longli BT Project and Longli Resettlement (Phase I) Project increased in current period.
- In current period, Guishen Company charged against parts of business tax and CIT in relation to Longli BT Project prepaid in 2013.
- In current period, the Group recognised Compensation resulted from the toll adjustment of Meiguan Expressway receivable from the Shenzhen Government.

3 EXPLANATIONS OF SIGNIFICANT FLUCTUATIONS AND RELATED REASONS ON MAJOR ITEMS OF THE FINANCIAL STATEMENTS (CONTINUED)

7. The construction of integrated toll system projects were completed and transferred to fixed assets in current period.
8. Certain short-term borrowings were repaid in current period.
9. In current period, parts of project fund and project guarantee deposit payable in relation to Qinglian Expressway and Reconstruction and Expansion of Meiguan Expressway Project were settled.
10. The Company received toll fee prepayment for Dameisha Gateway of Yanba Expressway from the Government of Yantian District in current period.
11. Staff's bonuses for the year 2013 were paid in current period.
12. Current income tax expenses increased as a result of the recognition of gains on disposal of related assets of Toll Free Section of Meiguan Expressway in current period.
13. Interests on bonds payable were accrued in current period.
14. It represents 2013 annual dividends declared but not paid to H share holders. The dividends have been paid up to the date of approval of these interim financial statements.
15. The Group accrued project fund payables to the contractors of Longli BT Project and the costs of construction management services for Coastal Project Phase I in current period.
16. A return of deed taxes were received from Longli County Government and recognised as government grants related to inventories.
17. In current period, the Group issued medium term notes with par value of RMB1 billion.
18. Compensations to the future operating costs of gateway toll stations to be built after the toll adjustment of Meiguan Expressway as well as compensations to the long-term tax and surcharges from the toll adjustment of Meiguan Expressway were recognised in current period.
19. The Group recognised gains on disposal of related assets of Toll Free Section of Meiguan Expressway and made profit distribution current period.
20. Construction management services income increased during this period.
21. Construction management services costs increased during this period.
22. It was due to the increase in construction management services income during this period.
23. The Group recognised gains on disposal of related assets of Toll Free Section of Meiguan Expressway during this period.
24. Current income tax expenses increased as a result of the recognition of gains on disposal of related assets of Toll Free Section of Meiguan Expressway in current period.
25. Profit from Longli BT Project recognised by Guishen Company increased, which led to an increase in the profit attributable to minority interests.
26. The Group received the first payment of the Compensation resulted from the toll adjustment of Meiguan Expressway amounting to RMB800 million.
27. In current period, the Group issued medium term notes with par value of RMB1 billion.

Company Profile

Registered Name	深圳高速公路股份有限公司
English Name	Shenzhen Expressway Company Limited
Legal Representative	YANG Hai
Registered Address and Place of Business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (postcode: 518026)
Place of Business in Hong Kong	Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Secretary of the Board/Company Secretary	WU Qian
Securities Officer	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3331/3338
Fax	(86) 755-8285 3400
Investor Hotline	(86) 755-8285 3330
E-mail	secretary@sz-expressway.com
Contact Address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen
Listing Exchanges	<p>A Share: The Shanghai Stock Exchange Security Code: 600548 Abbreviation: Shenzhen Expressway</p> <p>H Share: The Stock Exchange of Hong Kong Limited Security Code: 00548 Abbreviation: Shenzhen Expressway</p> <p>Bond: The Shanghai Stock Exchange Security Code: 122085 Abbreviation: 11 Shenzhen Expressway</p>
Designated Publication Newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated Publication Website	http://www.sse.com.cn http://www.hkex.com.hk http://www.sz-expressway.com http://www.sz-expressway-ir.com.hk (for H Shares only)
Interim Report Available at	<p>PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen</p> <p>Hong Kong: Suites 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong</p>

Information for Reference

I. List of Information for Reference

1. Financial statements signed and sealed by the Legal Representative, the Financial Controller and the General Manager of Finance Department;
2. Originals of all company documents and announcements disclosed at the publication websites designated by the China Securities Regulatory Commission during the Reporting Period;
3. Interim report disclosed in Hong Kong securities market.

The above information is available for reference at the Secretariat Office of the Company.

II. Abbreviation

Abbreviation for Highways/Projects Operated, Invested and Managed by the Company

Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City, The Toll Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has been implemented toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remain the toll collection.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A (Yantian to Xichong), Yanba B (Xichong to Kuichong) and Yanba C (Kuichong to Bagang).
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway.
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, also referred to as Liming Avenue.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City, also referred to as the No.2 Longgang Passage.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City, also referred to as Yuping Avenue).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway (the outer ring expressway in Shenzhen City).
Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the Coastal Expressway (the costal expressway from Guangzhou to Shenzhen).
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan.
Qinglian Project	Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road (also referred to as National Highway 107 Qinglian Section) and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be.
Yangmao Expressway	The expressway from Yangjiang to Maoming.

Information for Reference

Guangwu Project	The section from Ma'an to Hekou of Guangwu Expressway (the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi).
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 undertaken by the Company, including the daily operation management of Longda Expressway.
Nanping Project	The management of the construction project of Shenzhen Nanping Freeway (also referred to as Nanping Avenue) undertaken by the Company, among which, the project of the first phase of Nanping Freeway refers to Nanping Phase I and the project of the second phase of Nanping Freeway refers to Nanping Phase II , comprising section A and section B.
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. Among which, the construction project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I , and the construction project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II .
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.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by "build – transfer" mode and the project of primary development 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 Resettlement Phase I and Resettlement Phase II .
Guilong Land	The peripheral land of Guilong Project which were successfully bid by the Group. As at the end of the Reporting Period, the area of the land was approximately 1,863 mu (approximately 1,240,000 square meters).
Guilong Development Project	The further property development project of the Guilong Land with an area of 300 mu (approximately 200,000 square meters) conducted by the Group.
Meilin Checkpoint Urban Renewal Project	The project of intended adjustment in the land use of the western land parcel in Meilin Toll Station owned by Meiguan Company and Huatongyuan Logistic Centre land parcel owned by XTC Company, etc., totaling approximately 131,000 square meters, by the Shenzhen government, of which approximately 96,000 square meters will be changed to development and construction land for comprehensive development in accordance with urban renewal policy.

Abbreviation for Others

Company	Shenzhen Expressway Company Limited.
Group	The Company and its consolidated subsidiaries.
Reporting Period, 2014 Interim, Period	For the six months ended 30 June 2014.
2013 Interim	For the six months ended 30 June 2013.
YOY	Year-on-year change as compared to 2013 Interim or the same period of 2013.
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.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
SFO	Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong).
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
CASBE	China Accounting Standards for Business Enterprises (2006).
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).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited).
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.
km	Kilometer(s).
pct. pt	Percentage point.



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



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

Confirmation to the Interim Report 2014

As the Directors and Senior Management of Shenzhen Expressway Company Limited (“Company”), we confirm the truthfulness, accuracy and completeness of the content of the Interim Report 2014 and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.

19 August 2014

Directors who signed this Confirmation:

Yang Hai

Wu Ya De

Li Jing Zi

Zhao Jun Rong

Hu Wei

Tse Yat Hong

Zhang Yang

Chiu Chi Cheong, Clifton

Wang Hai Tao

Zhang Li Min

Au Sing Kun

Lin Chu Chang

Senior Management who signed this Confirmation:

Li Jian

Zhou Ling Ming

Ge Fei

Liao Xiang Wen

Gong Tao Tao

Wu Xian

Wu Zian



SHENZHEN EXPRESSWAY COMPANY LIMITED

www.sz-expressway.com